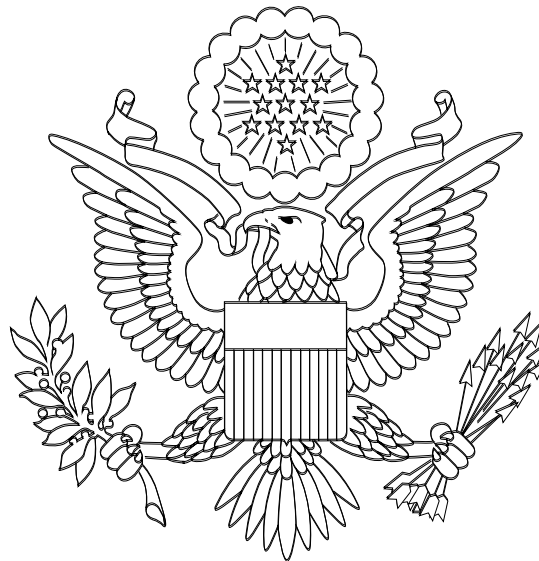


United States Department of State
U.S. Arms Control and Disarmament Agency
United States Information Agency,
including the Broadcasting Board of Governors

Office of
Inspector General

**Semiannual Report
to the Congress**



*October 1, 1996, to
March 31, 1997*

Summary of OIG Accomplishments

Financial Results:

Questioned Costs with Management Decision	\$1,163,170
Recommendations for Funds Put To Better Use	\$4,546,330
Investigative Recoveries	\$869,242

Investigative Results:

Cases Opened	86
Cases Closed	101
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EXECUTIVE SUMMARY

The foreign affairs community experienced a change in leadership during the reporting period with the arrival of a new Secretary of State. In several keynote addresses, Secretary Madeline Albright has emphasized the broad array of worldwide challenges facing the United States, including regional tensions, international terrorism, illegal drugs, and global climate change, among others. The Secretary has also identified diplomacy as this nation's first line of defense in responding to these challenges. To succeed, the foreign affairs community will require a framework stressing the need to prevent or defuse regional conflicts, control weapons of mass destruction, further U.S. interests in the expanding global economy, and promote democratic reform and the rule of law. Success will also depend, the Secretary notes, on a high state of diplomatic readiness. Maintaining the human and material infrastructure to allow the Department of State and its sister agencies—including the U.S. Information Agency and the U.S. Arms Control and Disarmament Agency—to operate effectively is therefore critical to advancing this country's policy agenda overseas.

As evidenced by this report, the Office of Inspector General (OIG) has responded readily to the changing needs of the foreign affairs community in developing its new policy framework and maintaining diplomatic readiness. OIG strives to ensure that its work focuses on the efforts of our client agencies to implement U.S. foreign policy effectively, link resources clearly to policy objectives, and maintain necessary operating platforms and infrastructure. Our primary areas of focus in achieving these broadly stated strategic objectives during this reporting period are summarized below.

Implementing U.S. Foreign Policy

In pursuit of our strategic objective to ensure effective implementation of U.S. foreign policy, OIG conducted work in several areas. A review of the Department of State's counternarcotics certification process, for example, found that the Department has vigorously implemented the process and introduced a series of management innovations. However, among other issues, the Department has not consistently provided lists of major drug-producing and drug-transit countries to Congress on a timely basis, nor has it developed a suitable methodology for identifying drug-transit countries. OIG had additional concerns with certification criteria and the Department's limited success in stimulating improved counternarcotics performance among decertified countries.

OIG also reviewed U.S. efforts to pursue reforms in managing multinational peace operations through implementation of Presidential Decision Directive 25 (PDD-25). Despite substantial progress in implementing the directive and improving peace operations, the U.S. Government must address gaps in several key areas, such as conducting mission reviews and establishing comprehensive command-and-control systems. The report also examined the impact of funding arrears on the ability of the United States and the United Nations to carry out some PDD-25 reforms. Finally, the report noted that the Department's office responsible for

monitoring peacekeeping operations was virtually unknown at the seven field posts responsible for reporting on the UN missions that OIG visited.

After inspecting 18 embassies in Africa in two years, OIG summarized its assessments in a special memorandum to the Deputy Secretary of State during this reporting period. Of particular note, OIG urged the Deputy Secretary to revisit the existing national security policy for Africa and improve policy guidance from Washington to African posts accordingly. The memorandum underscored the lack of clarity in U.S. policy toward many African countries that has persisted for several years.

Linking Resources to Policy Objectives

In examining whether resources are clearly linked to policy objectives, OIG found that weaknesses in the Department's immigrant visa (IV) operations may increase the likelihood that visas are issued to unqualified applicants. Specific concerns included shortcomings in the process used to determine IV applicant eligibility, inadequate information sharing, and lack of coordination among the multiple agencies involved in evaluating an applicant's qualifications. OIG noted that duplication of effort on the part of the State Department and the Immigration and Naturalization Service resulted in wasted resources in at least four locations.

Following OIG's identification of noncompliance involving the National Endowment for Democracy and its core grantees, the Endowment instructed its grant subrecipients to adhere more closely to grant terms and conditions and submit federally required audits. However, to ensure that resources are effectively linked to desired outcomes, OIG called for further improvements in monitoring the performance of grant subrecipients by the Endowment and core grantees. In addition, the United States Information Agency (USIA) needs to clarify its financial oversight responsibilities for the Endowment through a formal Memorandum of Understanding.

In inspections of U.S. missions in several African countries, OIG raised a caution flag with regard to the potential consequences of drawing down U.S. resources, perhaps prematurely, from some operations. Policy instruments previously available to ambassadors for carrying out their missions are in a downward spiral. Withdrawal of programs traditionally provided by the U.S. Agency for International Development (USAID) and the U.S. Information Service (USIS), for example, will severely test the ability of chiefs of mission to achieve broad policy objectives in this important region.

Several inspections also indicated that posts had difficulty relating increasingly scarce resources to policy objectives. More often than not, the problem centered on shortcomings in the mission program plan (MPP) process, designed by the Department to formulate policy and resource guidelines at the country level. For example, Embassy Ouagadougou's MPP listed lofty, albeit unachievable, goals, given existing resources. Embassy Niamey's MPP predates Niger's 1996 coup and fails to account for USAID's drawdown. Similarly, policy goals in Embassy Paramaribo's MPP were hardly realistic because of the absence of USAID and USIS programs necessary to accomplish them. Perhaps most serious, the MPP for Embassy Lagos reflected in part the dearth of coherent, authoritative U.S. policies toward Nigeria.

Maintaining Operating Platforms and Infrastructure

A critical aspect of OIG's work in support of this strategic objective is providing reasonable assurance that our client agencies adequately protect their people, information and facilities worldwide. OIG's classified review of requirements for protecting sensitive material examined the fundamental, often contentious issues at the heart of the need for balancing resources and security. An additional review of the Department's overseas communications operations that process classified and sensitive information established a clear need for a documented personnel security program to routinely address suitability concerns in assigning personnel with access to large amounts of sensitive information. An examination of the Classified (Red) Mainframe System supporting important Department operations indicated a lack of senior management involvement in addressing key policy, accountability, and other issues that were impeding efforts to achieve federally mandated security levels.

OIG worked effectively with the Department to streamline its inventory process for security equipment and thereby reduce records maintenance cost by about \$650,000 annually. Among its several overseas security inspections conducted during the period, OIG observed that Embassy Beijing and its constituent posts lacked security resources commensurate with the importance of U.S.-China relations.

Additional OIG work in support of this strategic objective included a review of the Department's Worldwide Property Accountability System (WPAS). The review found this critical database for tracking automatic data processing and telecommunications equipment at locations across the globe to be inaccurate and out of date. The system also does not properly depreciate capital equipment costs, and significant differences exist between the central inventory database and actual physical inventories at various locations. OIG urged that the Department delegate equipment accountability more directly to administrative officers, process post inventory results in a more timely manner, and use the system's data to assist in meeting the Department's annual financial reporting requirements.

In the U.S. Arms Control and Disarmament Agency (ACDA), OIG noted improvements made in bringing the agency's records management operations into compliance with federal requirements. Additional efforts are still needed, however. Officials responsible for records management have not received adequate training to prevent potential losses of records. Guidance on records management also needs to be updated and distributed to responsible officers across the agency, including, perhaps most importantly, those ACDA officers tasked with records keeping for international arms control delegations and conference support staff.

Readers are encouraged to refer to this semiannual report's substantive chapters on the Department of State, USIA, and ACDA, where all OIG work conducted during this reporting period, including those efforts summarized above, is discussed in greater detail.

OIG Investigative Activities

Among OIG investigative activities at the Department of State, a judgment was returned in connection with a contractor who had submitted \$2 million in false claims. An undercover investigation involving OIG, the Federal Bureau of Investigation, and the New York Police Department resulted in the arrest of two individuals involved in selling fraudulent U.S. passports at \$6,000 each. Specific disciplinary actions included one involving an ambassador who received a written reprimand in January 1997 from the acting Secretary of State for misuse of a subordinate's time in completing work of a personal nature and for ethics violations. The Department also proposed to suspend a Foreign Service officer for 20 days after OIG determined that the officer received more than \$40,000 in Separate Maintenance Allowances to which he was not entitled.

In an investigation initiated by the former USIA OIG and completed in January 1997 by the current OIG for State, ACDA, and USIA, OIG found insufficient credible evidence to sustain findings of management reprisals against Office of Cuba Broadcasting (OCB) employees. OIG did, however, uncover a pattern of personnel management deficiencies at OCB during 1992-94. In ACDA, management demoted and transferred two employees within the agency after the employees admitted to OIG that they had used government time and equipment in support of a private business venture.

Improving the Semiannual Reporting Process

This is OIG's second semiannual report since the April 1996 merger of the Office of Inspector General for USIA, including the Broadcasting Board of Governors (BBG), with the Office of Inspector General for the Department of State and ACDA. OIG's operating philosophy under this broadened oversight mandate is to work closely with our client agencies and the Congress in promoting effective use of resources, addressing complex foreign policy issues, and supporting positive change throughout the foreign affairs community.

In this report, OIG consolidates general information pertaining to the Department of State, ACDA, and USIA where feasible, as in the executive summary and congressional activity sections. Among ongoing efforts to streamline the semiannual report, two recent innovations are worthy of note. A classified semiannual annex is now available for those of our readers with appropriate clearances. The newly revised executive summary also informs readers how OIG's primary areas of focus during the reporting period respond to our long-term strategic objectives.

CONGRESSIONAL ACTIVITIES

IG Testimony

In addition to OIG's daily contacts with congressional staff on specific assignments, the Inspector General testified before the House Appropriations Committee during the reporting period. Appearing before the Subcommittee on Commerce, Justice, State, the Judiciary, and Related Agencies, the Inspector General discussed the OIG budget for FY 1998 and funds that could be put to better use by the Department of State, ACDA, and USIA. Major challenges facing these organizations, some of which require significant congressional action and support, were also discussed. For FY 1998, the Office of Inspector General for the U.S. Department of State, U.S. Arms Control and Disarmament Agency, and the United States Information Agency (including the Broadcasting Board of Governors), requested 305 positions and \$28,300,000 in the President's budget.

The Inspector General also responded to a request by the Senate Select Committee on Intelligence for information on OIG involvement in joint intelligence oversight issues. The request was contained in the Senate Report on the Fiscal Year 1997 Intelligence Authorization (Senate Report 104-258, April 30, 1996). The Inspector General provided the committee with a report on OIG's staffing, organizational structure, and a brief summary of projects relating to oversight of intelligence matters.

In keeping with her mandate to review all legislation proposed by the agencies she oversees, the Inspector General commented during the reporting period on the Department of State's proposed language for the FY 1998 Foreign Affairs Authorization Act.

Congressional Committee Orientations

During the reporting period, the Inspector General and members of OIG senior staff conducted orientation meetings with key congressional committees, including Senate Foreign Relations, House International Relations, Senate Governmental Affairs, and Senate Select Intelligence. Additional meetings are being scheduled. The Inspector General reviewed OIG's 1997 annual work plan as well as OIG's post-USIA merger structure. Questions raised by staffers during these briefings covered a wide range of topics from post-specific findings to a more general discussion of the OIG's mission and responsibilities. In addition to the various project-specific meetings held by OIG staff throughout the year to discuss reports in progress, the Inspector General hopes to regularize these briefings as part of the OIG annual planning process.

U.S. Department of State

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AUDITS

OIG audit work this reporting period included reviews of the Department's management of the counternarcotics certification process, implementation of reforms in the management of multinational peace operations, worldwide property accountability, immigrant visa processing, language-incentive pay, and the timeliness and adequacy of the services provided to American citizens overseas.

Review of Counternarcotics Certification (97-CI-004)

OIG reviewed the Bureau of International Narcotics and Law Enforcement Affairs' (INL) management of the counternarcotics certification process and the impact this process has had on U.S. counternarcotics efforts. Since 1993, INL has vigorously implemented the certification process and has introduced innovations into its overall management. However, INL has not consistently submitted the list of major drug-producing and drug-transit countries to Congress by November 1, as required, nor has it been able to develop an adequate methodology for identifying drug-transit countries. Also, INL did not sufficiently coordinate with posts on some aspects of the process. Despite INL attempts at clarification, the certification criteria and measurements of performance remain unclear, hampering the Department's ability to portray the certification process as an objective measurement of a country's counternarcotics performance. OIG recommended that INL clarify aspects of the certification criteria, directly solicit post recommendations on certification, and ensure that necessary analyses are performed before certification recommendations are made to Department management.

The certification process has had limited success in improving counternarcotics performance overseas. Most countries, once decertified, have remained so for many years, indicating that decertification and the imposition of sanctions do not generally stimulate improved performance. OIG also found that the impact of mandatory decertification sanctions was not being fully assessed to determine whether sanctions should be made discretionary. OIG suggested that INL consider changes in law to improve the effect of the certification process and recommended that INL monitor sanctions and recommend discretionary sanctions when appropriate.

Review of Immigrant Visa Processing (97-CI-002)

While the Department's immigrant visa operations comply with the Immigration and Naturalization Act, the IV process may not provide adequate protection against visas being issued to unqualified applicants. OIG found weaknesses with the process used by the Department to determine the eligibility of the IV applicants, inadequate sharing of information, and a lack of coordination with the multiple agencies involved in evaluating the applicant's qualifications. Weaknesses involved in the process include the lack of skills and tools necessary for the adjudication of IV cases in a consolidated location serving several countries, the lack of information management officer training for the maintenance of the consular systems, and the lack of consistency in preparing visas so that

the inspectors at the ports of entry can easily detect the counterfeit visas. In addition, there are conditions outside of the Department's purview that affect the issuance of IVs, such as the duplication of results between the fingerprint checks with the name checks performed by the FBI; the increase in the processing time because as much as 14 weeks' turnaround time is required for the fingerprint checks; the lack of a legal requirement for agencies to verify the existence of the employers filing for immigrant workers, and wasted resources by the Department and the Immigration and Naturalization Service because of a duplication of effort at the Regional Service Centers, the National Visa Center, overseas posts, and U.S. ports of entry. While the Bureau of Consular Affairs has taken action to correct some of the conditions, the OIG has recommended corrective action to address many of the shortcomings.

**Peace Operations Reform:
Implementation of PDD-25
and Related Issues**
(97-CI-003)

This report reviewed Presidential Decision Directive 25, which directed the United States to pursue reforms in the management of multinational peace operations and determine to what degree the U.S. Government and the Department of State had implemented the policy. Since 1994, the U.S. Government has made substantial efforts to implement many of the 99 specific tasks outlined in PDD-25, and United Nations (UN) and U.S. peace operations management improved significantly in certain areas, such as mission planning, training, strategic airlift, and field communications. Nonetheless, gaps remain in U.S. efforts to fully implement PDD-25, notably in:

- mission reviews,
- implementation of a comprehensive command and control system,
- the use of comprehensive logistics contracts for mission initiation,
- establishment of a peacekeeping public affairs unit,
- the U.S. role in the UN appropriations committee, and
- support for civilian police operations.

As a means of leveraging organizational reform at the United Nations and to reduce the U.S. budget deficit, the 1995 congressional appropriations were significantly below Administration requests for UN peacekeeping payments. In conjunction with unpaid and delayed U.S. regular budget payments and outstanding contributions from other countries, these arrearages deprived the organization of cash and fueled the UN's financial difficulties. These difficulties continued through 1996 and undermined the ability of the United States and United Nations to carry out some of the reforms called for in PDD-25, such as the creation of a modern command-and-control system. Finally, the report also reviewed the Department of State's role in monitoring peace operations, noting that the office established for that purpose was virtually unknown in the field.

Language Incentive Pay
(97-SP-005)

An audit of the Department's \$7.7-million Foreign Language Incentive Pay program disclosed that it is not fully meeting its objectives and is too costly. The auditors found several monetary bonuses not to be motivating factors, few officers serving multiple tours where their language skills

could be used, little emphasis placed on maintaining language skills, and inadequate management controls that permitted erroneous language incentive payments. OIG has recommended an enhanced recruitment effort, more multiple tours, a restructured payment system, increased emphasis on maintaining language skills, and strengthened controls to eliminate erroneous payments. If implemented, these recommendations could save about \$1 million per year.

**American Citizen Services
Overseas Program Emergency
and Protective Services**
(97-CI-007)

One of the Department's priorities is to improve service to U.S. citizens overseas. OIG reviewed the American Citizen Services Overseas Program to assess the timeliness and adequacy of the services being provided to the public, determine whether posts were complying with pertinent laws and regulations, identify innovative practices developed by specific posts to cope with diminishing resources, and identify areas where operations

Innovative Practices

As the workload increases and resources diminish, many American Citizen Services units have employed innovative tactics to get the American business and residential communities in their districts involved in providing assistance or services to U.S. citizens in need. Some practices that individual posts have put to use could be applied worldwide. For example, Embassy Rome and a U.S.-based fast-food chain have joined forces to provide free meals to destitute U.S. citizens upon presentation of a letter from the embassy. Embassy Athens has involved the local women's club in visiting U.S. citizens in prisons and hospitals. Because much of the American community served by Embassy Manila lives in remote, rural areas, the embassy employs a network of local wardens to keep the embassy up to date with events in their district, assist in welfare and whereabouts inquiries, visit prisoners, and register U.S. citizens for the embassy files.

could be streamlined. In general, the auditors found that the Department is doing a timely and adequate job of providing protective and emergency services to U.S. citizens overseas. They identified several areas where existing requirements could be reduced or eliminated, thereby enabling consular officers to better use their time and limited resources. They also noted innovative practices adopted by various posts to reduce their workloads, which could be implemented at other posts. Improvements are needed in various areas, including documentation of case files, compliance with certain

regulations and other legal requirements, and establishment of performance measures. Controls over the Repatriation Loan Program need to be strengthened to ensure that loans are being granted only as a last resort, and only to eligible applicants.

Diversity Visa Program
(97-CI-009)

In FY 1995, the Immigration and Naturalization Act, section 203 (c), established a permanent lottery program referred to as the Diversity Visa Program, which allows for 55,000 visas to be issued annually to persons from low admission regions and foreign countries around the world. Overall, the OIG found that the Department met the intent of the program by issuing 55,000 visas to persons from countries that have had low rates of immigration to the United States. However, the eligibility criteria are difficult to verify and apply. Consular officers must rely on the documents provided by the applicants to verify that the applicant is the actual lottery winner, and that the applicant has either a high school education or 2 years of qualified work experience. The criteria for this program makes consular officers responsible for determining whether an applicant's education is equivalent to a high school

education in the United States. On the other hand, the work experience criteria make the officers responsible for determining the validity of the applicant's work experience. The program is vulnerable to fraud, according to Department officials, because applicants can easily obtain documents that make it look like they qualify for the program. Officers adjudicating these cases reported counterfeit documents, sham marriages, and impersonations of the actual winners. The amount of suspected fraud associated with the program was so high that a Department official was quoted as saying that the visa lottery program is a "visa giveaway" program. The OIG recommended that a portion of the diversity visa fees be used to fund the visa fraud prevention programs. The Bureau of Consular Affairs responded that it is formulating a study to determine the impact of fraud on this program.

**The Department of State's
Worldwide Property
Accountability System
(97-IM-006)**

An OIG review of the Bureau of Administration, Office of Information Management's (A/IM) Worldwide Property Accountability System (WPAS) found that the database designed to track the Department's automatic data processing and telecommunications equipment is inaccurate, out of date, and has not been used to properly depreciate its capital equipment costs. Significant differences exist between the central inventory database and the physical inventories taken at the locations visited by OIG. There also have been substantial delays between when posts are tasked to complete their physical inventories and when the WPAS Program Office completes processing post data centrally. Staff reductions in this office, as well as security violations that effectively stopped inventory processing on the Department's classified data processing system for the past 18 months have contributed to these delays. OIG recommended that the Bureau of Administration delegate accountability over WPAS-tracked equipment to bureau and post administrative officers, amend the Foreign Affairs Manual to note the change in responsibility, and work to process post inventory results in a more timely manner. OIG also recommended moving the central database to an unclassified mainframe computing environment and encouraged A/IM to use the data to assist in meeting the Department's annual financial reporting requirements.

Gift Funds (97-FM-001)

OIG performed an audit of the Department of State's Gift Funds (the Fund) as part of the review of the Commercial Activities, Revolving Fund, and Trust Funds financial statements to evaluate internal controls and to determine if the Fund was managed in accordance with applicable laws and regulations.

The audit focused on four major Fund activities—Diplomatic Reception Rooms, Foundations, Restoration and Refurbishment of American Embassies, and Invitational Travel. Policies or procedures for controlling the acceptance or use of gifts did not exist; also, the Under Secretary for Management did not monitor or periodically follow up as required with responsible offices and bureaus to ascertain how well Fund activities were being managed. In addition, Fund activity managers were unable to consistently track revenue and expenditures, and reconciliations of Fund transactions with the balances in the Department's financial management system were not performed. Reimbursements for events held in the diplomatic reception rooms were incorrectly identified as donations and were deposited to the Fund account. Finally, the Department's gift guidelines do not clearly distinguish between conditional and unconditional gifts or explain how such gifts should be processed.

OIG recommended that the Department:

- exercise appropriate oversight of Fund activities to ensure that needed policies and procedures for controlling the acceptance or use of gifts are developed and that existing policies and procedures are complied with;
 - designate an overall manager for the Fund;
 - review current accounting policies and procedures for the Fund and develop new ones, as appropriate, for activity managers tracking revenues and expenditures and reconciling Fund transactions with the balances in the Department's financial management system;
 - ensure that receipts from Federal agencies for events held in the diplomatic reception rooms are treated as reimbursements and credited to appropriate accounts; and
 - update the Foreign Affairs Manual to include definitions and guidelines on the classification of conditional and unconditional gifts and whether a particular gift is conditioned upon an expenditure that will not be met by the gift, thus requiring approval by an Act of Congress.
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INSPECTIONS

Regular inspections of Foreign Service posts abroad were conducted in Latin America and in sub-Saharan Africa, while followup reviews abroad were carried out in Africa and the Caribbean. Two domestic bureau inspections and one domestic followup review were completed. Reports were issued on the results of 12 inspections and 2 followup reviews.

DOMESTIC INSPECTIONS

Bureau of South Asian Affairs (ISP/I-97-01)

The Bureau of South Asian Affairs (SA) is the smallest regional bureau in the Department of State, responsible for relations with eight countries. However, those countries include India, Pakistan, Afghanistan, and Bangladesh, which represent critical foreign policy concerns for the United States including potential war between India and Pakistan, nuclear proliferation, terrorism, narcotics, and the environment. The bureau was created in August 1992 as the result of congressional action, from elements of the Bureau of Near Eastern and South Asian Affairs (NEA). The action was taken because Congress believed that NEA did not, and could not, give adequate attention to the South Asia region while preoccupied with the Arab-Israeli peace process. The SA bureau was found to be very well led and staffed, and to be dealing effectively and professionally with its complex responsibilities.

Key Issues Identified

- The separation of SA from NEA in 1992 has accomplished what was intended: it provides concentrated focus on U.S. interests in South Asia. While the issue of separating the bureaus is not settled in many minds, there is insufficient justification either for proposing the reintegration of SA into NEA or otherwise changing the status of the young bureau.
- There is no accepted, authoritative, and coherent statement of U.S. policy toward South Asia, despite a major effort in 1993 to devise one. Such a clear statement is needed, and a new interagency effort to develop a written policy is under way.
- In an effort to save resources, the executive directorate (administrative support staff) of NEA was charged with continued support of SA after the 1992 separation. To the great credit of the NEA/SA/EX director and staff, both bureaus have received fine, evenhanded support with little added cost.

Bureau of Near Eastern Affairs (ISP/I-97-02)

The boundaries of NEA have long been flexible. Since 1992 and the creation of SA, they have included 18 countries, from Morocco in the west to Iran in the east. The constant for NEA has been the Middle East. Egypt and Israel absorb about 88 percent of all U.S. economic aid; the United

States has no diplomatic relations with Iran, Iraq, and Libya; Algeria and Lebanon are of concern because of the risk of terrorism.

The range of complex issues, vital U.S. concerns, and frequent crises in NEA's region are among the most daunting facing any of the Department's regional bureaus. Considering these demands, it is essential to U.S. foreign policy interests that NEA be effective, skilled, and professional. The bureau meets this description.

Key Issues Identified

- NEA has become an adjunct to the Special Middle East Coordinator (S/MEC) in implementing the Middle East Arab-Israeli peace process, which remains the bureau's highest priority goal. However, in giving all possible support to the Secretary of State and the Special Coordinator, the Assistant Secretary of NEA, his deputies, and the NEA staff have set a highly professional standard in making the awkward relationship between NEA and S/MEC work. Because the utilization of a special coordinator for the peace process has met the succeeding Administrations' needs, there is no compelling reason at present for returning responsibility for the peace process to NEA.

- If circumstances were to change and direct responsibility for the Middle East peace process were returned to NEA, it is likely that history would repeat itself and the assistant secretary would become totally absorbed in that task alone. It would be necessary for a deputy assistant secretary to manage all other regional issues and the bureau itself. The circumstances that led to the separation of the South Asia region in 1992 might well be recreated in another part of the far-flung NEA domain.

- There has been a long-standing, although diminishing, perception of NEA as inhabited by "Arabists" favoring the Arab side in the Arab-Israeli conflict and tensions. If this was ever true, it is no longer so. Recent assistant secretaries and their NEA staff have made successful efforts to recruit good people from outside the bureau, and NEA-oriented officers now routinely serve both in Israel and in Arab states.

- The decision to retain a joint NEA/SA/EX, or administrative support office, in an effort to save money and positions, has been proved right. It works remarkably well for the two bureaus and, as long as the quality of the NEA/SA/EX director and staff remains as high as it is at present, the arrangement should continue to serve the bureaus, the Department, and the U.S. taxpayer well.

**Bureau of Oceans and
International Environmental
and Scientific Affairs
(ISP/I-97-06)**

The Bureau of Oceans and International Environmental and Scientific Affairs (OES) is the focal point for U.S. Government efforts to promote U.S. multilateral and bilateral interests in the environment, health, oceans, and fisheries. It also takes the lead in dealing with business and other non-governmental sectors and organizations interested in environmental matters. The bureau became the executor of the Secretary's 1996 initiative to redress the Department's historically disjointed approach to environmental issues. Under new leadership, which took office in early 1996, the bureau has become a vigorous and effective force in environmental and related international issues of concern to the United States.

Key Issues Identified

- Other agencies of the U.S. Government have accepted OES leadership in formulating international policy and in leading interagency delegations to international conferences and have indicated their increased respect for the bureau under its new leadership.
- The absence of a principal deputy assistant secretary position to coordinate the bureau's major elements and to speak authoritatively for the assistant secretary when necessary has adversely affected OES operations. OIG recommended the establishment of such a position in the bureau.
- Reorientation of the bureau's priorities to permit full support for the environmental initiative resulted in severe position reductions in the science sector offices of OES. Consolidation of the science area office directorates for greater efficiency was recommended.

INSPECTIONS OF FOREIGN SERVICE POSTS

Angola (ISP/I-97-03)

After its battle for independence from Portugal, which ended successfully in 1975, and an ensuing civil war, which ended in uneasy peace in 1992, Angola is trying to recover politically and economically. If the peace process can be consolidated, with the help of the UN's largest peacekeeping force, the country's economy may begin to reflect its rich potential. At that time, the U.S. burden of humanitarian aid may be reduced or terminated, and American investment and trade may grow substantially in a country that already is a major African trade partner.

Key Issues Identified

- In this period of transition, the official American presence in Angola is growing. USIS and USAID have opened offices, in marked contrast to withdrawals of those agencies from many other countries. A skilled ambassador serves as U.S. representative and negotiator in the Angolan peace process as well as envoy to the Government of Angola, and the embassy has provided enthusiastic and successful support for U.S. business interests.
- Overall mission coordination needs improvement so that more of a common purpose is felt in the pursuit of MPP goals. Decisionmaking and followup on administrative matters have been wanting, leading to inaction on issues affecting work performance.
- The post's physical plant is poor. As noted by OIG's Office of Security and Intelligence Oversight, the annex, known as Casa Inglesa, is simply an unsafe place for the State Department and USIS employees who work there, as well as members of the public seeking consular services. Implementation is overdue on an earlier agreement between the post and the Office of Foreign Buildings Operations (A/FBO) to construct a temporary office building on the chancery compound to house all of the staff currently in the annex. In addition, Embassy Luanda and A/FBO need to come to an early decision on a site for a permanent chancery. This decision should not retard immediate construction of the temporary office building, which will be needed for a number of years under any likely staffing scenario.

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- The staffing pattern used by the Department and the actual organization of Embassy Luanda's political, economic, and consular sections should be reconciled. A combined political/economic section would allow more efficient use of personnel. Additional staff are needed in the administrative unit to meet the needs of a growing official presence.
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Mozambique (ISP/I-97-04)

Mozambique's recent history parallels that of Angola. It won a war of independence from Portugal in 1975, then fought a civil war, and reached a reasonably stable peace in 1992. The country is extremely poor, carries an enormous burden of international debt, and depends upon foreign aid for as much as 70 percent of its national budget. There is some hope to be seen in recent economic reforms, but much remains to be done, and foreign debt has reached levels that may make debt servicing unmanageable by 1997 or 1998. The United States and other key donors work to help the country consolidate the political transition and to institute economic reforms that will reduce the heavy dependence upon foreign aid. If this can be accomplished, U.S. concerns will lessen and may permit U.S. program and staff reductions.

Key Issues Identified

- The success or failure of Mozambique's transition from war to peace and from chaos to stability has serious implications for the region. In the past, Mozambique has been a destabilizing influence in the region, as its civil war disrupted transportation links for South Africa, Zimbabwe, and Malawi; generated a flood of refugees; fueled regional arms trafficking; and forced neighbors into security and humanitarian expenditures they could ill afford. The U.S. mission in Mozambique has played a significant role in pulling and pushing the country toward vital reforms.
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Mission Program Planning

Inspections during this period confirmed again weaknesses in the Department's ability to define its policy goals, order their priority, and allocate resources to support their implementation. The MPP process was designed to produce formal, written guidance on U.S. interests and policy goals in each country, set out the courses of action to be undertaken in pursuit of those goals by all elements of the U.S. mission, allocate resources, and provide measures by which to gauge success. The MPP was to represent a consensus of all agencies within a mission, and was to have the imprimatur of the Department. A key finding of almost every inspection during the period—in Nigeria, Guyana, Suriname, Trinidad and Tobago, Mozambique, Chad, Niger, Burkina Faso, and Cameroon, including the followup review in Barbados—was shortcomings in the ability of the MPP process to produce timely, well-focused, and

practical guidance for implementing policy and allocating U.S. Government resources in support of policy goals. The Bureau of South Asian Affairs was found to be without overall policy guidance for its region. The inspection of the Bureau of Consular Affairs' U.S. passport agencies in mid-1995 had found a lack of planning for the future, to include development of a plan for short-term priority projects and an updating of longer term (3-year) program planning. The followup review in late 1996 revealed little progress in forward planning, and the recommendation was renewed in the followup report.

These findings are believed to be indicative of the situation in most of the Department's bureaus and diplomatic missions. Despite major effort and some degree of improvement in recent years, the Department still has difficulty in directly linking resources to specific policy objectives.

- Mozambique is one of five countries in sub-Saharan Africa where USAID has concentrated its efforts. Its initial programs in 1984 fed a population left hungry by war and supported the peace process and refugee resettlement. In recent years, assistance has been directed toward sustainable development efforts, focusing on agriculture, health, private sector development, and support for democratic institutions.

- As peace and stability take root, U.S. interests will recede, allowing for program and staff reductions. Conditions are too fragile to recommend major reductions now. Eventually, overall mission size should more nearly reflect the limited U.S. political and commercial interests here.

- Premature withdrawal of U.S. resources, particularly within the assistance budget, could endanger what has been accomplished so far. Nevertheless, under the general pressures of foreign affairs funding limitations, some staff reductions have taken place in both USIS and USAID.

- The Department's difficulty in establishing a planning process able to relate policy and resource allocation is again illustrated. The embassy's MPP was found to be more of a narrative policy map than a practical resource-allocation tool. Financial decisions are driven more by agency headquarters' general funding considerations than by reference to the MPP.

- Post management, under the recently departed ambassador and the current charge d'affaires, is effective. It has been essentially vertical, favoring ad hoc, usually one-on-one sessions with section chiefs or agency heads over regularly scheduled group meetings. A broader set of issues-oriented meetings would strengthen mission coordination and provide a greater sense of inclusiveness among mission staff. Regular meetings on administrative matters are also needed.

- The inspection revealed a number of weaknesses in the administrative area, especially in the budget and fiscal, personnel, and property management operations. Staffing gaps may have contributed to these deficiencies but do not fully explain them. More methodical attention to administrative requirements and staff development would improve embassy operations.

- Combining the economic and political section into one unit would allow more efficient use of American and Foreign Service national (FSN) staff.

Guyana (ISP/I-97-05)

Guyana was handicapped at independence (from Britain in 1966) by political rivalries based upon the delicate ethnic balance between its African-descended and South Asian-descended populations. Under the government of either of the two major parties, Guyana remained essentially "nonaligned" and Marxist-oriented until the early 1990s and the end of the Cold War. Since then, the country has moved significantly toward internationalization and privatization of the economy, albeit with anxiety about foreign influence, resistance from many still wedded to past visions of the centralized economy, and endless disputes with foreign investors. This movement, however tentative, has improved U.S.-Guyana relations. There is a small USAID program, some military cooperation (training and civic action programs), and improved antinarcotics

cooperation. Problems associated with the country's hesitant and even reluctant testing of the free market system have so far precluded a more trusting bilateral relationship.

Key Issues Identified

- Embassy Georgetown has had the reputation of being one of the most hard-to-live-in, hard-to-manage, and hard-to-staff Foreign Service posts. The reputation was based upon a variety of political, economic, and physical hardship considerations and varied from bad to worse depending upon the effectiveness of embassy leadership and management at any one time. The mission was recovering from a particularly difficult period as this inspection was being conducted, and new leadership already had begun to improve post operations and morale.

- The embassy has had unsettled and uncertain leadership over the past few years. This culminated in the separate curtailments of the ambassador and the deputy chief of mission (DCM). This, in turn, has been reflected in trouble-ridden operations and poor staff morale. The newly arrived chargé d'affaires seems up to the remedial challenge, but uncertainty over the arrival of a new ambassador could become a negative factor.

- Administrative operations are problematical almost across the board. Budget and fiscal, security, housing, general services, and community liaison have significant weaknesses. The high FSN turnover rate and lack of training underscore the problem. The administrative officer is waging a competent up-hill battle to reform the situation.

- Long-standing, serious management controls problems exist in cashiering, property disposal, certification of controls, and living quarters space.

Chad (ISP/I-97-10)

In the late 1970s and early 1980s, Chad attracted world attention when its northern neighbor, Libya, invaded the small nation in support of one side in the Chadian civil war. The Libyans eventually were driven out, and today the level and definition of U.S. interests in Chad have become less clear. In fact, the U.S. Government lacks coherent overall policy guidelines defining its interests in Chad and the tactics and resources to be used in promoting those interests. Again (see Mozambique, above), this is a reflection of the lack of a coordinated U.S. Government-wide foreign policy statement such as a Presidential Decision Directive for sub-Saharan Africa as a whole. The responsibility for this situation lies with both the Department (the Bureau of African Affairs) and the National Security Council.

Key Issues Identified

- The MPP process, designed to formulate policy and resource guidelines at the individual country level, has not been effective in regard to Chad. The closing of the USAID mission in Chad deprived the embassy of the resources required to make a significant effort to achieve the ambitious goals set in the MPP. Under these circumstances, the ambassador and embassy staff initiated a review and rewriting of their MPP, which set more reasonable and attainable goals in relation to the very limited resources available to pursue them. The withdrawal of the most visible

symbol of U.S. interest in and concern for Chad, which USAID represented, has had an enormous impact not only within the mission but also among Chadian officials and citizens. The size and stark finality of the withdrawal left a large hole in U.S. policy toward Chad.

**Niger (ISP/I-97-12),
Burkina Faso (ISP/I-97-15),
and Cameroon (ISP/I-97-07)**

United States interests in these three West African countries are very limited. Two of them, Niger and Burkina Faso, are among the world's poorest countries, and both are ruled by governments that came to power through military coups. Only Cameroon has prospect of significant economic development, and, since 1990, its one-party government has begun to move tentatively toward multiparty government, a somewhat freer press, and elections. The ambassador in Yaounde has been accredited also to Equatorial Guinea since 1995, when resident U.S. representation in that country ended. The official U.S. presence in all three countries has been, and continues to be, reduced as a reflection of post-Cold-War political realities and the decline in U.S. foreign policy resources.

Key Issues Identified

- USAID has left, or is leaving, each of these countries, whose poverty has made USAID programs symbolic of American concern for, and interest in, their welfare and future. Only some relatively minor regional and self-help programs remain. None of the countries has a U.S. security assistance mission. The instruments available to the ambassadors for carrying out their missions have diminished sharply, and USAID's proposed elimination of all assistance programs where it does not itself have a mission will reduce them even further. USIS has rated each of these posts in its lowest priority category, and USIS operations have been reduced to a bare minimum.

- The MPP process has proved inadequate, to some degree, in all three countries. The MPP was not revised after the 1996 coup in Niger, leaving it to the next comprehensive review to relate available U.S. resources to achievable objectives. In Burkina Faso, the MPP listed the lofty goals of promoting democracy, advancing human rights, encouraging a positive regional role, and supporting the welfare of Burkina's citizens. It is improbable that any of these can be achieved or much advanced with the resources now available to the mission, and the embassy was advised to build more attainable goals into its next MPP. The MPP prepared for the mission in Cameroon failed to distinguish adequately between goals and objectives or tactics and performance measures, and U.S. interests in Equatorial Guinea were not appropriately covered in the MPP prepared for that country. There was no evidence that the Department ever commented upon the MPP submitted by Embassy Yaounde.

- The U.S. Government holds more office space in each of these countries than it needs, primarily as a result of the withdrawal of USAID missions. Remedial plans are being, or in some cases should be, pursued with A/FBO.

- The January 1996 military coup against Niger's democratic government, and subsequent fraudulent elections, triggered Section 508 of the Foreign Assistance Act, forcing cuts in USAID programs and the ultimate decision to withdraw USAID from Niger. This decision was taken despite 35 years of USAID presence in Niger and the expenditure of more than

\$500 million. Niger was formerly a high-priority country for USAID programs. Niger thus presents a test of broader U.S. policy. The withdrawal decision will very probably worsen the condition of the already poverty-stricken population and lessen or eliminate U.S. ability to promote economic and social reforms. This balance of U.S. interests is under examination by the mission, in consultation with the other concerned U.S. agencies and the Department. However, the Peace Corps, with about 120 volunteers and direct-assistance programs in agriculture, health and nutrition, and natural resource management, continues its work in Niger.

Trinidad and Tobago
(ISP/I-97-13)

Political change in Trinidad and Tobago over the last 15 years, including democratic alternation in power of the leading political parties and an opening to free-market economics and foreign investment, has resulted in a warm and cooperative relationship with the United States. The country has a promising future, based in its oil riches and energetic population, but persistent high unemployment and the impact of narcotics trafficking are issues of concern.

Key Issues Identified

- The weakness of the Department's MPP process again is illustrated by recent experience at this post. The agreed highest priority goal for the United States in Trinidad and Tobago had been the encouragement of free market development. The Department and other agencies appeared to not focus on the narcotics situation in the country, while the embassy maintained a concerned, activist position. Under new leadership, the mission assigned highest priority to the counternarcotics effort on its own initiative, without significant objection by, comment from, or involvement of the Department or other U.S. agencies. Finding the resources to support the new priority effort, supposedly a function of the MPP process, was left to the individual lobbying efforts of the new ambassador with a number of agencies.
- A series of management and staffing problems leading to several curtailments over the past 2 years, which both undermined and provoked post management, have abated in great part. The ambassador, who has provided consistent policy leadership throughout, and the newly arrived DCM are addressing how to improve buffeted morale.
- Administrative management suffers from insensitive leadership calling for immediate adjustment, including increased scrutiny by senior post management. Management of FSN-related issues has created a very difficult work environment.
- Consular management and operations suffered from mediocre controls that have endured for some years. They still were being addressed as the inspection ended.
- The post's management controls certification did not disclose material weaknesses that were evident in consular operations, commissary operations, procurement, warehousing, and the management of the housing program. OIG recommended that the Department prepare a memorandum report to the Chief Financial Officer addressing erroneous certifications at Embassy Port of Spain.

Suriname (ISP/I-97-20)

In the years from 1980 to the early 1990s, Suriname was ruled by its military, who intrigued with Cuba and other radical elements in the hemisphere. The Netherlands, the former colonial power, was the principal Western influence and assistance donor. The Cold War climate compelled the United States to express concern on occasion, but Suriname's relative isolation permitted the United States to remain generally aloof and unengaged during this period. A movement toward democracy in the early years of this decade offered an opportunity that the United States was unable to exploit, coinciding as it did with retrenchment of most U.S. overseas programs. In 1996, a general election, decided by a series of multiparty negotiations, again brought to power a government containing political elements with which it will be difficult for the United States to maintain close relations.

Key Issues Identified

- The MPP does not adequately relate policy goals and objectives to the resources available to support pursuit of them. Policy goals are unrealistic, particularly in view of the lack of any USAID programs, USIS presence, or antinarcotics or environmental assistance. There is only a modest military training program. OIG recommended revision of the MPP to set policy goals and objectives that would have a reasonable relation to the program resources available to accomplish them. In the meantime, U.S. policy toward Suriname is in flux. An important element in the future course of events will be the continued influence of the Netherlands, and the U.S. adjustment to that reality.
- Successive post managers have clearly succeeded in fulfilling the mission's representational and reporting responsibilities and have achieved important policy goals with minimal resources, despite a number of staffing problems. Long-standing morale problems, administrative shortcomings, and consular deficiencies are now being addressed by current management.
- Administrative management and management controls need strengthening. They exhibit a lack of concentration and initiative. There have been a handful of inaccurate certifications by recent chiefs of mission, some still in need of correction. Rectification of these deficiencies will be one of the new post management's primary tasks.
- The mission does not have a resident professional security officer but is included in the area of responsibility of a regional security officer at Embassy Georgetown, Guyana. Security support has not been entirely satisfactory under this arrangement and must be strengthened to cope with both real and potential challenges to the security of the mission.
- Weak consular direction for the past few years resulted in serious deficiencies. In-house visa fraud, records mismanagement, and systems failures undermined consular credibility and efficiency. A new management team has made strides toward turning the situation around.

Nigeria (ISP/I-97-21)

Nigeria is the leading regional power of sub-Saharan Africa, with a population of more than 100 million people and substantial economic potential based especially in its oil resources. The country plays a leading role in West African economic councils and in African peacekeeping operations and is of importance to U.S. business and trade interests. In the

early 1960s, the newly independent Nigeria was regarded as Africa's best hope for democracy and economic growth. However, a procession of military governments, which have ruled for much of the period since independence, has dimmed the optimism over Nigeria's future and strained its relations with many democratic states. Recently, the increasing deterioration of the situation within Nigeria has been reflected in worsening relations with countries such as the United States. The United States and some other Western nations have imposed sanctions in response to developments in Nigeria. Lack of cooperation in antinarcotics measures has led to "decertification" by the United States and a severe reduction in U.S. aid and U.S. support for loans from international financial institutions. Formal military cooperation and sales had ended earlier. Neither sanctions nor diplomatic efforts have yet effected fundamental change in the Nigerian regime's behavior.

Key Issues Identified

- The MPP has not proved an effective instrument for the formulation and implementation of coherent U.S. policies toward Nigeria. The principal reason for this is that the MPP process has not adequately involved senior levels of policymakers in the Department, the National Security Council, and other U.S. agencies. Effective tactics have not been devised and realistic objectives have not been defined to guide the effort to achieve U.S. goals. The coordinating role of the mission has not been respected by all elements of the U.S. Government, and U.S. interests have suffered in the confusion over tactics and objectives. A high-level review of U.S. policies toward Nigeria, resulting in coherent and authoritative guidance, is badly needed.
- The Government of Nigeria is in the process, now extending over many years, of moving its seat from Lagos to the northern city of Abuja. In the classic process observed in other countries when the capital is moved, many nations such as the United States have found themselves forced to try to operate in both the old capital and the new as the painful shift goes on. U.S. interests in Abuja have been represented by a small liaison office, which is at a distinct and growing disadvantage in dealing with the Nigerian Government. It is no longer a question of whether the embassy will move to Abuja, but when. Further delay will hurt U.S. interests and raise eventual costs. OIG has recommended the establishment of a firm schedule for moving the mission to Abuja.

FOLLOWUP REVIEWS

U.S. Passport Agencies (ISP/F-97-22)

The followup review found an active, progressive management team, both in the Bureau of Consular Affairs' Office of Passport Services (CA/PPT) and in the field, that was open to constructive dialogue. However, despite progress in correcting operational deficiencies, more than half of the recommendations from the report remained open some 17 months after the original inspection. The review modified and reissued approximately one-third of the original recommendations.

Even with somewhat increased resources, CA/PPT remains hard pressed to keep up with the growing public demand for passport services, particularly given the need to overcome years of inadequate investment in passport operations. The Department continues to explore funding options, but congressional support will be required. Insufficient progress had been made in response to OIG's earlier call for long-term strategic planning for the passport function. There were concerns among rank and file employees that pressures to meet quantitative production goals were having a negative impact upon the quality of passport issuance. Fraud program managers were concerned with the rising incidence of fraudulent applications and their inability to provide needed training for passport examiners. CA/PPT operates a comprehensive system for monitoring internal management controls, which appears to be working effectively. Recommendations were reissued to sharpen organizational focus on strategic and business management planning, to upgrade employee skills, and to improve customer services.

Cote d'Ivoire (ISP/F-97-18)

The inspection of mid-1996 found two principal issues of concern. The first was the staffing of USAID's Regional Economic Development Services Organization (REDSO) in Abidjan. OIG proposed that the ambassador review whether some or all of the REDSO employees could perform their functions while based in the United States, thus effecting considerable savings. USAID officials at Abidjan and in the agency had maintained that REDSO's functions could be carried out properly only by staff resident in the region. A review of all USAID operations in Africa was being undertaken at the time of the OIG followup review. OIG urged USAID, as part of its review, to keep staffing at REDSO to a minimum given cost and the critical crime situation in Abidjan. The ambassador at Abidjan agreed to address REDSO staffing issues in future mission program plans.

The second key issue was the extraordinarily poor morale found among both American and Ivorian employees at the post in 1996. The followup review determined that these morale issues had been dealt with vigorously, and that the situation had improved measurably. Several of the original recommendations were reissued by OIG in their original or modified form.

SECURITY AND INTELLIGENCE OVERSIGHT

During this semiannual period, the OIG Office of Security and Intelligence Oversight (SIO) issued reports on seven inspections, four followup reviews, and three audits. The SIO inspection teams evaluated security in Asia, Southeast Asia, Central America, and Europe; the followup review teams were primarily in the New Independent States. The three audits covered security equipment accountability, the classified mainframe system's security, management of secure communications, and 24-hour protection of classified material. The Intelligence Oversight Division also issued its first inspection report on chief of mission oversight and coordination of intelligence activities and operations at overseas posts. Because SIO reports discuss specific security vulnerabilities of the Department and its posts, only unclassified synopses of the inspection, followup review, and audit findings are included in this semiannual report. The classified annex to this semiannual report provides a more detailed description of the findings.

SECURITY INSPECTIONS

Inspection teams identified security vulnerabilities at the posts they visited and recommended corrective action to eliminate or reduce them.

- The inspectors found that commendable progress in security has been made at all posts in Pakistan, but the need for vigilance remains great. Additional or remedial steps to improve procedural and physical security and emergency preparedness were identified at each of the posts. (SIO/I-97-03)
- The key finding for the embassy and its four consulates general in China is the lack of adequate security resources commensurate with the importance of U.S.-China relations. (SIO/I-97-04)
- In Austria, the Embassy Vienna, the U.S. Delegation to the Organization for Security and Cooperation in Europe, and the U.S. Mission to United Nations Organizations in Vienna had successfully resolved the two major findings of the last inspection conducted in 1990 regarding work spaces. However, other key technical and physical security issues remain to be resolved. (SIO/I-97-05)
- In Nicaragua, the political situation is unstable, and crime and its accompanying violence continue to rise. In this environment, Embassy Nicaragua continues to suffer from numerous physical security weaknesses, many of which were previously identified by OIG 5 years ago. New construction is needed, but funding is not available. (SIO/I-97-07)
- Deficiencies in Greece include the need for some physical security upgrades at both the chancery and the consulate general and the need to conduct required emergency drills. Procedural and personnel security are the main focus of the regional security officer's efforts. (SIO/I-97-12)

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- In an unstable environment, where the threats from political violence and crime are always present, the embassy in Haiti has done much to protect its official facilities and domestic residences. The rapid growth, however, of the post and the presence of large contingents of temporary-duty personnel mean that some facilities need more attention. (SIO/I-97-13)
 - The primary issue in Sri Lanka is that the mission is spread throughout too many facilities in the capital. Security findings included reducing local guard coverage and improving emergency preparedness. (SIO/I-97-14)
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SECURITY FOLLOWUP REVIEWS

Security followup reviews evaluate and report on implementation of recommendations from previous inspections. These reviews also serve as a quality assurance measure for the OIG.

- Security in the Slovak Republic has significantly improved since the November 1994 security inspection. The Department's ongoing renovation project is key to the enhancement of overall security at the chancery. (SIO/I-97-06)
 - While the embassy in Ukraine implemented many of the recommendations made in the 1995 security inspection report, security enhancements still are needed to address vulnerabilities identified both in the 1995 report and by the followup review inspectors. (SIO/I-97-08)
 - Senior post management in Poland effectively supported the security program and provided the backing necessary to address the security issues that were identified in the 1995 security inspection report. Other issues require the Department's attention and assistance, particularly renovation projects in Warsaw and Krakow. (SIO/I-97-09)
 - Senior post management in Belarus has given effective support to the security office to deal with issues facing the embassy, and most recommendations in the 1995 security inspection report were closed. (SIO/I-97-10)
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SECURITY AUDITS

Security audits of the Department's management of its security and intelligence resources are designed to promote both savings and increased effectiveness. They examine the management and administration of security and intelligence programs, determine the systemic causes of problems, evaluate the adequacy of internal controls, and identify ways to enhance Department operations and promote greater economies and efficiencies.

**Security Equipment
Accountability (SIO/A-97-01)**

The Department reported security equipment accountability as a material weakness in the 1994 Federal Manager's Financial Integrity Act report. This audit was undertaken to determine the cause of inaccuracies of the Department's security equipment inventories raised in past OIG and General Accounting Office reports and to meet audit requirements established by the Chief Financial Officers Act. The Department maintains security equipment overseas and domestically to support its security programs. This consists of approximately 50,000 pieces of equipment—including various components of closed-circuit television systems, alarm systems, technical security countermeasures equipment, and firearms—valued at approximately \$55 million.

The Department accounts accurately for security equipment, including capitalized security equipment. However, the process could be streamlined. It costs the Department an estimated \$200,000 annually to maintain installed security equipment inventory records that are not needed or used. Therefore, the auditors recommended that the Department discontinue the maintenance of inventory records for security equipment that has been installed (41 percent of the Department's security equipment). The auditors also recommended that the Department discontinue the maintenance of centralized inventory records for security equipment. (Centralized inventory records should be maintained only for capitalized security equipment and firearms.) It costs the Department an estimated \$450,000 annually to maintain centralized inventory records that are not needed or used.

The Department was responsive to OIG's findings, and all recommendations were either resolved or closed before the report was issued.

**Classified (Red) Mainframe
System's Security
(SIO/A-97-02)**

The Red system, as connected to several other classified systems, supports important Department operations. The security posture of the Department's single classified (Red) mainframe computer system closely parallels the incomplete security posture of the Department's other mainframe systems. As with the unclassified mainframe systems, the lack of senior management involvement in addressing authority, responsibility, accountability, and policy is the critical issue impeding the Department's efforts to achieve federally mandated security levels. The Department's management agreed with the substance of the findings and recommendations and is working on an overall strategy to upgrade system security.

**Management of Secure
Communication (SIO/A-97-15)**

The State Department's success in formulating and implementing foreign policy is vitally linked to its ability to ensure the security of information. This audit assessed the security of the Department's overseas communications operations, which process classified and sensitive information, and focused on systemic issues not routinely addressed by the Department's communications security evaluations program. The audit showed that the Department's communications are not protected as well as they could be. The recommendations address the need for the Department to:

- establish a documented personnel security program to routinely address suitability concerns in the assignment of personnel, such as information management specialists, who hold positions with access to large amounts of sensitive information;
- implement and ensure adherence to system access controls;
- provide technical security measures to protect unclassified communications lines overseas;
- implement a systematic program to formally certify and accredit its communications centers; and
- improve management controls over communications security material and equipment.

The Department's senior management generally agreed with the need to act on the recommendations. Also, OIG agreed with their view that, in addition to information management officers, an improved personnel security program should include all key officers with bulk access to large amounts of national security information.

**24-Hour Protection of
Classified Material
(SIO/A-97-16)**

The primary objective of the audit was to review the viability and cost-effectiveness of both human and technical forms of protecting classified materials. OIG found that the Bureau of Diplomatic Security (DS) does not have an adequate process to select the most cost-effective countermeasures used to protect posts' classified assets, for which it has the responsibility, because it has not applied its risk management policy to evaluate the available countermeasures. As a result, there are either excess resources being expended or, in some cases, a lack of adequate countermeasures.

INVESTIGATIONS

During the reporting period, the Office of Investigations opened 78 cases and closed 91 cases; 13 cases were referred for criminal prosecution, and 16 were referred to the State Department for administrative action.

JUDICIAL ACTIONS

Civil Judgments

False Travel Voucher. A communicator assigned to the Warrenton, Virginia, Training Center submitted false travel vouchers for the cost of lodging. The communicator represented in filings with the Department that he was leasing the property where he was staying while attending a training course. Investigation disclosed that the property was, in fact, owned by the employee. In conjunction with the U.S. Attorney's Office, Eastern District of Virginia, Civil Division, the employee agreed to repay the Department \$3,500. The Civil Division also required the employee to pay an additional \$3,500 as a penalty for submitting the false claim. On February 4, 1997, the Bureau of Personnel proposed a 20-day suspension. (95-107)

Misuse of Government Resources. An OIG investigation resulted in a former employee making restitution to the U.S. Government in the amount of \$1,527 for the employee's unauthorized personal use of a U.S. Government issued cellular telephone. The investigation revealed that the employee certified calls listed on the office's monthly cellular telephone bills as official in nature when, in fact, many of the calls were personal. The former employee was assigned to Houston at the time of the offense and has since retired. The Assistant U.S. Attorney declined criminal prosecution in favor of seeking restitution through the Administrative Civil Enforcement program within the U.S. Attorney's Office, Southern District of Texas (91-160).

Contract Fraud. An OIG investigation was initiated in response to information received from the Defense Criminal Investigative Service that a Department contractor had submitted approximately \$2 million in false claims. Inquiries disclosed that the contractor had billed the Department for subcontracted architectural projects prior to the completion of the work, which occurred much later than indicated by the billing. A former employee of the company filed a *qui tam* lawsuit against one company official, as well as the company, for alleged violations of the Whistleblower Act. The U.S. Attorney's Office, Eastern District of Virginia, intervened on behalf of the former employee and accepted the case for civil prosecution for false claims submitted to the State Department by the contractor. The violation of the Whistleblower Act was declined. Following protracted negotiations, the company, the government, and the former employee entered into an agreement for the company to repay the government \$260,000—more than twice the amount of the damage—for lost interest resulting from the early billing and payment. (95-085)

Court-Ordered Restitution

False Claims. A Washington, D.C., contractor pleaded guilty in U.S. District Court to violating three counts of making a false certificate or writing by submitting false billings to the State Department. A joint OIG investigation and audit disclosed that the contractor had overcharged the Department for labor performed on the contract, which was subject to the Davis-Bacon Act requiring the contractor to pay its workers established rates. The contractor certified that it had paid the established rate to its workers and billed the Department accordingly. The investigation revealed that the labor rates paid were not what the contractor had billed to the Department, resulting in an overcharge of \$463,248 and a labor profit to the company of 92 percent. The company also improperly charged and received payment for insurance costs of \$59,854, which were disallowed under the contract terms. As a result of OIG's efforts, the contractor was placed on 5 years' probation and ordered to pay restitution. A referral was also made to Department officials for consideration of suspension or debarment proceedings. Savings and restitution to the Department totaled \$523,102. (91-040)

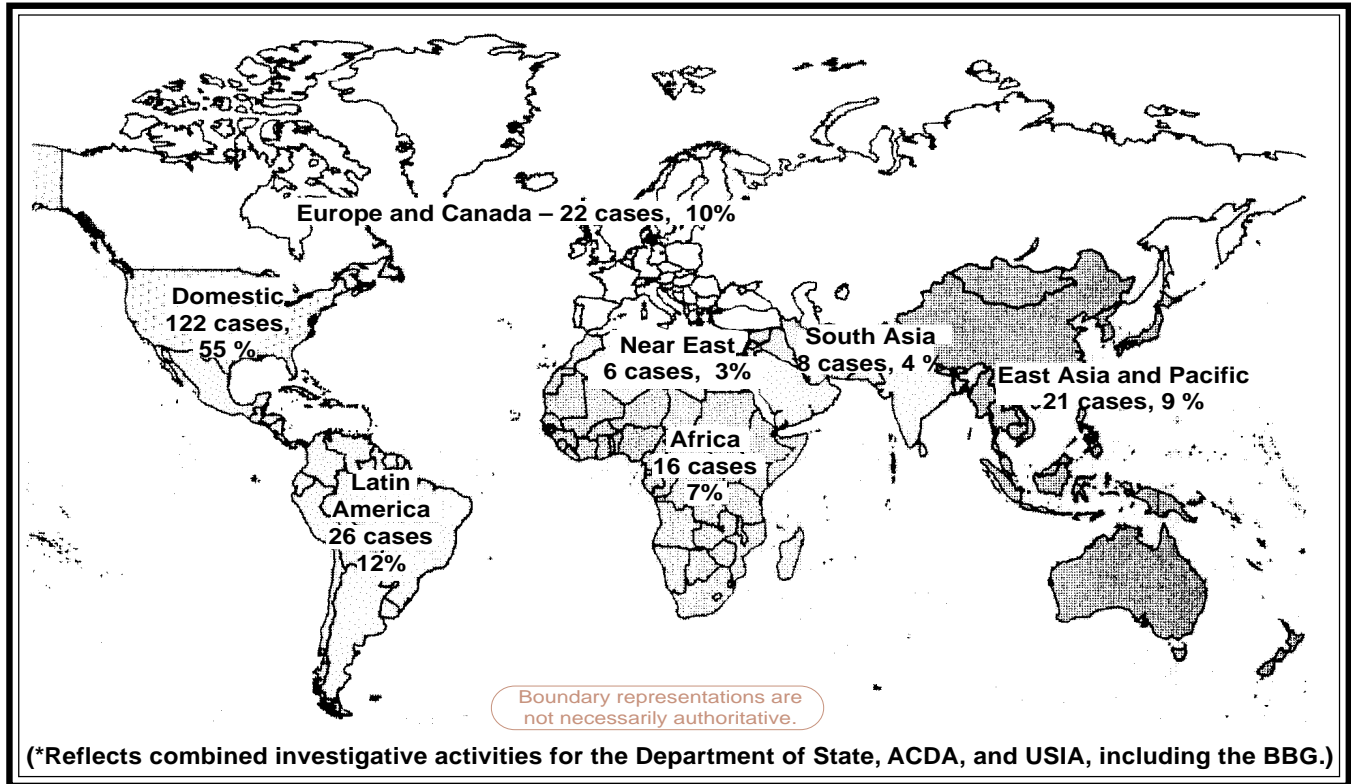
Convictions

Passport Fraud. In October 1996, OIG received a request for assistance from the FBI, based upon information that an individual was selling fraudulent U.S. passports on the streets in New York for \$6,000 each. An undercover investigation involving OIG, the FBI and the New York Police Department was opened. The investigation resulted in the arrests of two individuals, who subsequently pleaded guilty to felony charges of passport fraud. Sentencing is pending. (97-011)

Passport Fraud. An OIG investigation, conducted with other federal and local law enforcement agencies, led to the indictment of a Nigerian national and his wife, a U.S. citizen, for conspiracy to commit passport fraud, as well as welfare fraud, food stamp fraud, and social security violations. The Nigerian, who had been a fugitive, was arrested while attempting to reenter the United States in October 1996. As a result, an additional charge was added to the original indictment. In December 1996, he pleaded guilty to two felony charges in U.S. District Court in Tulsa, Oklahoma, and remains incarcerated. Since he had been previously convicted and imprisoned on fraud charges, federal sentencing guidelines indicate that he will be sentenced to a significant period of imprisonment. His wife also pleaded guilty, and in August 1996 was sentenced to 3 years of probation and restitution of benefit payments based on fraud. (95-199)

Embezzlement/Theft. On the basis of information provided by the Bureau of Consular Affairs, OIG investigated allegations that an employee had embezzled passport application fees. Investigative inquiries disclosed that, between August 1996 and September 1996, several applications had been processed; however, the fees had not been deposited. The suspect was interviewed and admitted to stealing \$1,230 from the Passport Agency when the fees were paid in cash. The U.S. Attorney's Office, Superior Court, Washington, D.C., accepted the case for prosecution under the District of Columbia criminal code. Following arrest, the employee pleaded guilty, was sentenced to two years supervised probation, and was ordered to pay restitution of \$1,230. (96-191)

Geographic Distribution of Investigations*



Embezzlement/Theft. OIG responded to an allegation that a timekeeper was suspected of falsifying time-and-attendance records for 1994 and 1996. The 1995 records could not be located. Prior to notifying OIG of this information, the bureau confronted the employee with the leave discrepancies. The employee denied any responsibility or knowledge in the matter. OIG interviewed the individual, who again denied altering annual and sick leave hours or inflating overtime hours; however, all available evidence led to the opposite conclusion. The case was accepted for prosecution by the U.S. Attorney's Office, Superior Court, Washington, D.C. The suspect was arrested for a felony under the District of Columbia code and pleaded guilty to the charge of second degree attempted theft. Sentencing is pending. (96-107)

Arrests

Passport Fraud. In May 1996, OIG received information from the U.S. Customs Service that a Dominican national was selling fraudulent U.S. passports in New Jersey for \$3,000 each. OIG conducted an undercover operation in which an individual sold a fraudulent U.S. passport to a confidential informant. In addition, the individual advised the confidential informant that he had sold at least 20 such passports within the previous 12 months; and that he was capable of providing 25 additional passports to the confidential informant over a 6-month period. In March 1997, a criminal complaint alleging passport fraud was filed in U.S. District Court in Newark, New Jersey, and an arrest warrant was issued. The subject was arrested on March 12, 1997. Judicial proceedings are pending. (96-182)

ADMINISTRATIVE ACTIONS

Reprimands

OIG investigated information alleging that an employee had purchased tax-free merchandise and resold it at a profit to FSN employees. Working jointly with the post, information was developed that implicated a personal services contract employee and an FSN. However, no evidence was developed to support the allegation the employee profited from the activity. At the conclusion of the investigation, the post issued official letters of reprimand to the individuals. (96-163)

As a result of an OIG investigation, an ambassador received a written reprimand in January 1997 from the acting Secretary of State. The investigation revealed that the ambassador had misused a subordinate's time in completing work of a personal nature. The investigation further disclosed that a political campaign committee, established prior to the ambassador's appointment, had paid for some of his expenses at the embassy, in violation of an ethics agreement that the ambassador had signed with the Department. (96-066)

Reimbursement

An OIG investigation disclosed that an officer permitted friends and family to reside free of charge in embassy-leased housing for a total of eight nights during a personal visit. The matter was declined for criminal prosecution by the U.S. Attorney's Office, District of Columbia, in favor of administrative remedies. Restitution is being sought by the Department from the individual in the amount of \$400, which is commensurate with post temporary-duty (TDY) housing rates. (96-177)

In March 1996, information from a confidential source alleged that a senior Department official, who permanently resided in the District of Columbia, did not pay income taxes in the District of Columbia from 1993 through 1996. The investigation revealed that the Department official, although residing in the District of Columbia, claimed residency in another state, which had a lower tax rate. The District of Columbia's Department of Finance and Revenue issued an assessment to the official in the amount of \$56,784.18, including interest and penalty. The official made full payment to the District of Columbia. (96-077)

In March 1996, OIG received information from a confidential source alleging that a DCM did not report for duty while assigned to a TDY station, although receiving per diem and other expenses during that period. The investigation revealed that, after being hospitalized, the DCM inadvertently received payment for per diem expenses while officially on sick leave during the TDY period. The DCM repaid the Department \$1,310 for reimbursement of expenses received while on sick leave, which were not in accordance with Department regulations. (96-076)

Suspensions

OIG opened an investigation based upon an allegation that a Foreign Service officer had improperly obtained Separate Maintenance Allowance (SMA) while separated from his wife and undergoing divorce proceedings. Investigation determined that the officer had claimed and received more than \$40,000 in SMA payments to which he was not entitled between 1986 and 1993. He had initiated and signed an agreement regarding child custody and financial support before departing the U.S. for assignment overseas. On January 27, 1997, the officer was notified by the Bureau of Personnel of a proposal to suspend him for 20 days. Civil action by the United States Attorney, Eastern District of Virginia, is pending. (94-044)

OIG initiated an investigation in August 1996, based upon an allegation that a Foreign Service officer had misused a government vehicle, and had improperly used other government property. Investigation determined that the officer had improperly used a government vehicle on several occasions, including a trip to a vacation resort while he was on leave-without-pay status. In addition, it was determined that the officer had permitted the use of his assigned government computer for personal business. In November 1996, the officer was notified by the Bureau of Personnel that it proposed to suspend him for 30 days. (96-044)

In February 1996, OIG initiated an investigation based on information from the Office of the Procurement Executive indicating an apparent improper pattern of procurement activities on the part of an administrative officer. Investigation determined that the officer had improperly signed purchase orders over a 19-month period, although the officer did not have a contracting warrant and, therefore, lacked authority for this activity. It was also determined that the officer had signed purchase orders hiring a relative, as well as relatives and friends of other government employees at the facility. These purchase orders violated the Services Contract Act, and were in violation of the Department's policy regarding contracting for services. In January 1997, the Bureau of Personnel ordered that the officer be suspended for 10 days. (96-052)

Joint Investigation

An OIG investigation was conducted in response to information provided by an official at an African embassy regarding alleged fiscal irregularities within the cashier operation. A joint investigation with the U.S. Secret Service revealed that four FSN employees had purchased numerous items from post disposal sales for less than the amounts bid on the items. Two of the FSNs, from the cashiering operation, had collected the proceeds from sales in U.S. currency and replaced the currency with counterfeit \$100 notes. The four FSNs were terminated from embassy employment, and a total of \$2,632 was withheld from their severance pay and applied toward the loss. (95-004)

In January 1996, information was received from an anonymous source who alleged that a Department official had installed and viewed inappropriate material on a government-owned computer. The material was shown by the officer to male coworkers. When interviewed, the Department official admitted to the actions. Following an administrative report, the Department official was suspended for one day without pay. (96-028)

Demotion

A long-time FSN employee was demoted to a nonsupervisory job after an OIG investigation determined that the employee had routinely abused his position as a supervisor by manipulating subordinates with threats of termination if they failed to adhere to his personal demands. (96-004)

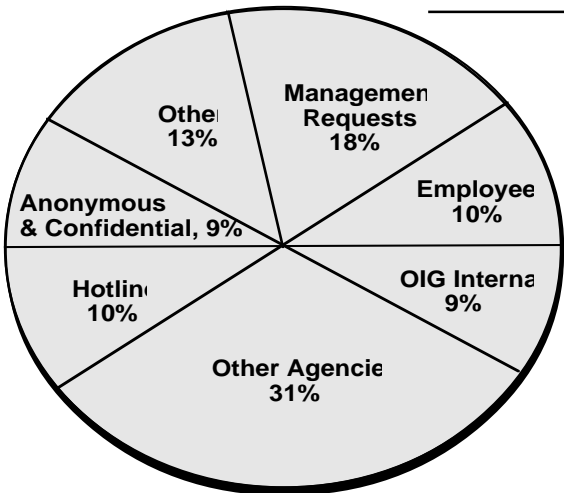
Resignation/Admonishment

OIG received allegations that a senior Department official had engaged in inappropriate conduct with a subordinate, including improper government travel together. The investigation confirmed the relationship and determined that the senior official traveled more frequently and on trips of greater duration with this subordinate than with other subordinates. However, all travel was found to be properly approved and justified. During the course of the investigation, the senior official resigned from the Department. An administrative referral to the Office of the Secretary of State resulted in the subordinate receiving an admonishment. The Secretary also directed that the Foreign Service Institute ensure that the Department's diversity training emphasizes the undesirability of inappropriate relationships with subordinates. (96-181)

Hotline Activity

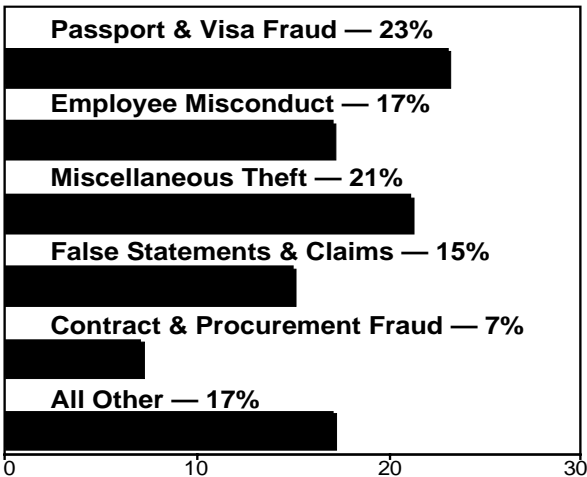
The OIG Hotline, operated by the Office of Investigations, is a prompt, effective, confidential channel for employees of the Department of State, ACDA, and USIA, including the BBG, to report incidents of waste, fraud, abuse, and mismanagement to the Inspector General. The following table provides a summary of Hotline activity for all of the agencies for which OIG has oversight.

Total allegations received	135
Held for action within OIG	42
Referred to other offices for action	88
Not substantiated — no action necessary	5



Sources of Allegations

Types of Cases



(*Charts reflect combined investigative activities for the Department of State, ACDA, and USIA, including the BBG.)

APPENDIX 1: INVESTIGATIVE ACTIVITIES¹

Workload		Total Judicial Actions	42
Cases pending 9/30/96	206	<i>Criminal</i>	
New cases opened	78	Prosecutive referrals	13
Cases closed	91	Prosecutive declinations	8
Cases pending 3/31/97	193	Prosecutive dismissals	1
		Acquittals	1
Total Administrative Actions	49	Indictments ²	5
Admonishments	7	Convictions	2
Counseling	1	Sentencings	1
Curtailment	0	Time sentenced	0
Debarments	0	Time suspended	0
Demotions	1	Time probation	5 years
Reimbursements	8	Court-ordered fines	\$375
Reprimands	5	Court-ordered restitutions	\$311,179
Resignations	0	<i>Civil</i>	
Suspensions	6	Referrals	4
Terminations	3	Declinations	3
Administrative referrals	16	Complaints	1
PFCRA ³ referrals	0	Judgments	0
PFCRA declination	0	Recoveries	3
PFCRA reimbursements	0	Total judgments and recoveries	\$318,311
Savings	2		

Administrative recoveries ⁴	\$238,830
Judicial recoveries ⁵	\$629,865
Total Investigative Recoveries	\$868,695

¹ This appendix reflects investigative statistics for the Department of State only. Please see pages 55, 64, and 69 for investigative statistics related to USIA, BBG, and ACDA, respectively.

² Indictments include formal criminal charges brought against a subject. The manner in which charges are brought varies from country to country.

³ Program Fraud and Civil Remedies Act.

⁴ Includes recoveries from administrative actions, such as reimbursements and savings.

⁵ Includes recoveries from judicial actions, including court-ordered fines and restitutions and civil judgments and recoveries.

APPENDIX 2: REPORTS ISSUED

Office of Audits

97-FM-001	Gift Funds	11/96
97-CI-002	Immigrant Visa Processing	2/97
97-CI-003	Peace Operations Reform: Implementation of PDD-25 and Related Issues,	3/97
97-CI-004	Review of the Counternarcotics Certification Process	1/97
97-SP-005	Language Incentive Pay	12/96
97-IM-006	Department of State Worldwide Property Accountability System	3/97
97-CI-007	American Citizen Services Overseas Program Emergency and Protective Services	2/97
97-CI-009	Diversity Visa Program	3/97

Office of Inspections

Inspections

ISP/I-97-01	Bureau of South Asian Affairs	11/96
ISP/I-97-02	Bureau of Near Eastern Affairs	1/97
ISP/I-97-03	Embassy Luanda, Angola	3/97
ISP/I-97-04	Embassy Maputo, Mozambique	3/97
ISP/I-97-05	Embassy Georgetown, Guyana	3/97
ISP/I-97-06	Bureau of Oceans and International Environmental and Scientific Affairs	3/97
ISP/I-97-07	Embassy Yaounde, Cameroon	3/97
ISP/I-97-10	Embassy N'Djamena, Chad	3/97
ISP/I-97-12	Embassy Niamey, Niger	3/97
ISP/I-97-13	Embassy Port of Spain, Trinidad and Tobago	1/97
ISP/I-97-15	Embassy Ouagadougou, Burkina Faso	3/97
ISP/I-97-20	Embassy Paramaribo, Suriname (Confidential)	3/97
ISP/I-97-21	Embassy Lagos, Nigeria (Confidential)	3/97

Followup Reviews

ISP/F-97-22	U.S. Passport Agencies	3/97
ISP/F-97-18	Embassy Abidjan, Cote d'Ivoire	3/97

Office of Security and Intelligence Oversight

(Classified SIO reports are summarized in more detail in the classified annex to this semiannual report.)

Audits

SIO/A-97-01	Security Equipment Accountability (Secret)	10/96
SIO/A-97-02	Classified Mainframe Security Systems (Secret/NoFORN)	11/96
SIO/A-97-15	Management of Secure Communications (Secret/NoFORN)	3/97
SIO/A-97-16	24-Hour Protection of Classified Materials (Secret/NoFORN)	3/97

Inspections

SIO/I-97-03	Embassy Pakistan, Islamabad, and Constituent Posts (Secret/NoFORN)	1/97
SIO/I-97-04	Embassy Beijing, China (Secret/NoFORN)	1/97
SIO/I-97-05	Embassy Vienna, Austria, U.S. Delegation to the Organization for Security and Cooperation in Europe, and U.S. Mission to United Nations Organization in Vienna (Secret/NoFORN)	1/97
SIO/I-97-07	Embassy Managua, Nicaragua (Secret/NoFORN)	2/97
SIO/X-97-11	Embassy Oversight Review (Secret/NoFORN)	2/97
SIO/I-97-12	Embassy Athens, Greece, and Constituent Posts (Secret/NoFORN)	2/97
SIO/I-97-13	Embassy Port-Au-Prince, Haiti (Secret/NoFORN)	2/97
SIO/I-97-14	Embassy Colombo, Sri Lanka (Secret/NoFORN)	3/97

Followup Reviews

SIO/I-97-06	Embassy Bratislava, Slovak Republic (Secret/NoFORN)	1/97
SIO/I-97-08	Embassy Kiev, Ukraine (Secret/NoFORN)	2/97
SIO/I-97-09	Embassy Warsaw, Poland, and Constituent Posts (Secret/NoFORN)	2/97
SIO/I-97-10	Embassy Minsk, Belarus (Secret/NoFORN)	2/97

Contract Audits

Vendor	Audit Number	Type
Leonard G. Birnbaum and Company, CPAs	PA-BB-PP-96-37	Labor Hour Rates
Leonard G. Birnbaum and Company, CPAs	PA-BB-PP-96-38	Preaward
Leonard G. Birnbaum and Company, CPAs	PA-BB-PP-96-46	Other Direct Costs
Leonard G. Birnbaum and Company, CPAs	PA-BB-PP-97-47	Accounting System Review
Leonard G. Birnbaum and Company, CPAs	PA-BB-PP-97-48	Labor Hour Rates
Leonard G. Birnbaum and Company, CPAs	PA-BB-PP-97-49	Labor Hour Rates

APPENDIX 3: SAVINGS & MORE EFFECTIVE USE OF RESOURCES

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS¹
WITH QUESTIONED COSTS²

	Number of Reports	(Dollars in thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	1	626.579	660.576
A.1. Adjustments	1	377.591 ³	
A.2. Adjusted Balance	2	1,004.170	660.576
B. Which were issued during the reporting period	0	0	0
Subtotals (A.2. + B.)	2	1,004.170	660.576
C. For which a management decision was made during the reporting period	2	1,004.170	660.576
-- based on formal admin			
or judicial appeal	1	377.591	
(i) dollar value of disallowed costs	1	626.579 ⁴	
(ii) dollar value of costs not disallowed	1		660.576 ⁴
D. For which no management decision has been made by the end of the reporting period	0	0	0
Reports for which no management decision was made within 6 months of issuance	0	0	0

¹ Includes audit reports issued by the Office of Audits and by the Office of Security and Intelligence Oversight.

² Questioned costs are costs that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

³ Previously pending judicial appeal.

⁴ These two figures appearing in C(i) and C(ii) represent one audit (Southern Maryland Restoration).

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE¹

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	4	1,605.900
B. Which were issued during the reporting period	4	4,536.330 ²
Subtotals (A. + B.)	8	6,142.230
C. For which a management decision was made during the reporting period	4	1,605.900
(i) dollar value of recommendations that were agreed to by management	4	1,586.708
— based on proposed management action	4	1,586.708 ³
— based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	1	19.192 ³
D. For which no management decision has been made by the end of this reporting period	4	4,536.330
Reports for which no management decision was made within 6 months of issuance	0	0

¹ A "recommendation that funds be put to better use" is a recommendation by the OIG that funds could be used more efficiently if Department management took actions to implement and complete the recommendation, including: reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of the Department, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings which are specifically identified.

² If implemented in 1997, this action could result in estimated savings of at least \$400,000 in FY 1998, \$1 million in the year 2000, and approximately \$3.5 million per year by 2010.

³ These figures are split between C(i) and C(ii) and represent one audit.

APPENDIX 4: RESOLUTION OF REPORTS & RECOMMENDATIONS

Previously Reported Significant Audit Recommendations Pending Final Action

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
1-IM-023		<i>Software Development in the Department</i>	9/30/91
	9.	Review all new major software development projects in all five phases of development.	
1-IM-025		<i>Department of State's Management of Major System Acquisitions</i>	9/30/91
	1.	Issue written policies and procedures for implementing the major system acquisition process and establish the responsibilities of the offices involved in the process.	
3-PP-014		<i>Maintenance and Repair of Buildings Overseas</i>	9/30/93
	1&2.	Develop a system to identify and monitor the worldwide backlog of maintenance and repair deficiencies, including establishing a baseline of maintenance and repair deficiencies and costs, and use information from this system to support future budget requests.	
4-FM-014		<i>Followup Audit of Expenditures from the Appropriation for Emergencies in the Diplomatic and Consular Service</i>	3/31/94
	7.	Develop and issue formal policies and detailed procedures for K Fund operations, identifying the restrictions on the use of the funds, responsibilities for specific K Fund functions, and internal controls required.	
	9.	Develop an implementation plan to correct internal control deficiencies noted in the FY 1990 vulnerability assessment of K Fund operations.	

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
4-FM-026		<i>Foreign Service Retirement and Disability Fund Financial Statements for FY 1992 (M)</i>	9/30/94
	5.	Obtain reimbursement from other agencies for their share of the FSRDF's administrative expenses unless authority is obtained to pay administrative expenses directly from the FSRDF.	
5-FM-007		<i>Review of Financial Systems Development</i>	3/31/95
	2.	The Under Secretary for Management review the current alignment of resources and responsibilities for system acquisition and development in the Department and determine the optimal management arrangement for system acquisition and development.	

¹ Includes audit recommendations reported as significant in semiannual reports prior to September 30, 1996, on which Department management has agreed to take corrective action, but for which those actions are not yet complete.

² Final action is recorded when a proposed course of action in response to a recommendation has been accepted by OIG and completed by management to OIG's satisfaction.

SUMMARY OF AUDIT REPORTS

Without Management Decision for More than Six Months

Domestic Personal Property Management (5-PP-021), September 1995

Summary: OIG recommended A/OPR revise 6 FAM 1258.1-2 to require APOs to notify OIG/INV of missing property items with an acquisition cost of \$1,000 or more before taking any further actions to determine the facts surrounding the loss.

Reason Unresolved: Response did not fully address the recommendation. The Department believes this recommendation is contrary to its efforts to reduce the burden of APOs and its commitment to minimize reporting requirements. OIG continues to negotiate with A/OPR on this response.

To be resolved by: June 1997

Review of the Terrorism and Narcotics Information Rewards (5-CI-023), September 1995

Summary: OIG recommended that the rewards matrix table be revised to correlate dollar amounts or ranges to specific types of crime and their circumstances.

Reason Unresolved: The Bureau of Diplomatic Security (DS) continues to oppose this recommendation and has asked OIG to reconsider. DS argued that having fixed dollar amounts or ranges would be a difficult policy to defend if made public and would hamper the bureau's ability to draw in potential informants. OIG stands behind this recommendation and will continue to negotiate with DS on this response.

To be resolved by: April 1997

Foreign Service Retirement and Disability Fund Financial Statements for Fiscal Year 1992 (4-FM-026), September 1994

Summary: OIG recommended that the Department obtain reimbursement from other agencies for their share of FSRDF administrative expenses unless authority is obtained to pay such expenses directly from the FSRDF.

Reason Unresolved: M believes the Department is statutorily obligated to administer the FSRDF and that the Foreign Service Act of 1980 does not provide any basis for seeking reimbursement of administrative expenses from other foreign affairs agencies. There is also a substantial risk that these agencies will refuse to agree to reimburse the Department to administrate the FSRDF. Additionally, this may threaten the good will that has marked the ICASS work to date.

To be resolved by: December 1997

Software Maintenance (6-IM-003), October 1995

Summary: OIG recommended that the Bureau of Administration and its Office of Information Management (A/IM) comply with software maintenance change policies and standards developed by A/IM, prepare and use risk assessment instruments in assessing vulnerabilities and internal controls of software maintenance procedures and practices, and establish general performance measurement criteria to be used when writing Department software maintenance contracts.

Reason Unresolved: A and A/IM have never formally responded in writing to the recommendations

Summary: We recommend that the Foreign Service Institute, in conjunction with the Bureau of Administration's Office of Information Management and Office of Acquisitions, ensure that the training curriculum, specifically tailored to meet the needs of contracting officer representatives, adequately meets the needs of those who will monitor software maintenance contracts and ensure that only those who complete the curriculum are designated as software maintenance contract monitors.

Reason Unresolved: While A/IM, FSI, and A/OPR/ACQ concur that the contracting officer representative training curriculum should be improved, there are currently no plans to implement this recommendation.

Summary: OIG recommended that the Bureau of Finance and Management policy develop guidance and implement procedures requiring all bureaus and offices to identify the costs for software maintenance and enhancements for annual budgeting, accounting, and reporting purposes.

Reason Unresolved: FMP responded that the required costs are being collected in accordance with OMB Circular A-11. However, the audit determined that none of the geographic bureaus are actually collecting the data. This fact was subsequently reaffirmed by the CIO. The recommendation remains unresolved until FMP implements procedures for collecting the costs for software maintenance and enhancements.

To be resolved by: June 1997

Refugee Admissions Program (6-CI-008), January 1996

Summary: OIG recommended that PRM, in its consultations with the Administration and Congress on the Lautenberg amendment, recommend that the amendment be allowed to expire in 1996.

Reason Unresolved: PRM has not recommended that the Lautenberg amendment be allowed to expire. OIG maintains that PRM should adopt a proactive stance regarding the Lautenberg amendment.

Summary: OIG recommended that PRM work with Congress to curtail refugee admissions to only cases that strictly adhere to the 1980 Refugee Act definition of a refugee.

Reason Unresolved: PRM has not engaged with Congress to ensure that the 1980 Refugee Act definition of a refugee is enforced. Until such time as they do, the recommendation remains unresolved.

Summary: OIG recommended that PRM deny further processing to refugee applicants if fraud involving false family members attached to their applications is uncovered.

Reason Unresolved: PRM's response indicated an inability to implement the recommendation. OIG maintains that this step should be taken to combat a main avenue for fraud in the overseas program.

Summary: OIG recommended that Joint Voluntary Agencies (JVAs) providing assistance to PRM overseas not be the same JVAs providing domestic reception and placement services for PRM.

Reason Unresolved: A fundamental disagreement exists over how the PRM and the OIG perceive the situation.

To be resolved by: April 1997

Overseas Technical Security (OSO/A-94-02), October 1993

Summary: A/IM should provide cleared American maintenance for CAA telephones and telephone switches at all high and medium technical threat posts.

Reason Unresolved: A/IM has agreed with the recommendation but stated that they do not have the resources to implement it.

To be resolved by: November 1997

U.S. Information Agency

Including the Broadcasting Board of Governors

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AUDITS

National Endowment for Democracy (USIA-97-CG-001)

During FY 1991-93, the National Endowment for Democracy and its core grantees did not adequately ensure that subrecipients complied with grant terms and conditions or submitted proper audits as required by Office of Management and Budget (OMB) Circular No. A-133. However, during the audit, the Endowment and the core grantees proposed and made significant improvements in monitoring subrecipients. For example, the Endowment proposed and made upgrades to its automated grants tracking system to include additional fields for audit-related information. OIG recommended that the Endowment's Board of Directors ensure that the Endowment and core grantees review and revise, as necessary, their risk-based audit strategy to ensure effective monitoring of subrecipients. Furthermore, USIA did not clarify its financial oversight responsibilities for the Endowment, as recommended in a previous OIG report. OIG recommended that USIA finalize the Memorandum of Understanding establishing oversight for the Endowment.

The Commission for Educational and Cultural Exchange Between the United States of America and the Arab Republic of Egypt (USIA-97-CG-002)

OIG conducted a review of the financial operations of the Commission for Educational and Cultural Exchange between the United States of America and the Arab Republic of Egypt. The primary objective of the audit was to determine whether Commission management had established adequate internal control procedures. OIG found that, although the Commission had adequately accounted for property and assets, there were several weaknesses in accounting procedures and other internal controls. In addition, OIG found that the executive director's compensation and benefits, including a controversial level-of-responsibility award, were substantially above that of directors in other Office of North African, Near Eastern, and South Asian Affairs countries and may not have been properly approved by the Commission board. Cost savings of \$10,000 were realized when the level-of-responsibility award payments ceased to be calculated on USIA funds. Finally, neither USIA nor the Commission has taken responsibility for the Alexandria American Cultural Center English-teaching program, although the Commission created the program and a USIS official supervises the director of courses.

OIG also found that the program had inadequate separation of key duties and responsibilities to ensure that effective checks and balances exist and that it lacked written internal control and accounting system policies and procedures. Both USIA and the Commission generally agreed with the report's findings and recommendations. Some of the issues identified in the report were also addressed by USIA's January 1997 cable implementing recommendations from a prior OIG review (Letter Report No. 95-A-04/ALR-96-2) of eight Fulbright Commissions that

**International Republican
Institute Review of FY 1995
Claimed Indirect Cost Rates**
(USIA-CC-CG-97-01)

identified systemic accounting and reporting deficiencies.

USIA's Office of Contracts requested that OIG review the FY 1995 indirect cost rates claimed by the International Republican Institute (IRI). IRI is a core grantee of the National Endowment for Democracy. OIG analyzed the allowability and allocability of accounts comprising IRI's proposals, including specific indirect costs, such as fringe benefits and overhead, to determine if the rates should be approved. OIG found that IRI required a downward adjustment of its claimed FY 1995 fringe benefit and overhead rates from 39.27 and 29.74 percent to 39.21 and 29.13 percent, respectively. OIG questioned costs of \$45,029 relating to interest and tax penalties in the FICA account and direct program depreciation expense.

**Free Trade Union Institute
Review of FY 1995 Claimed
Indirect Cost Rates**
(USIA-CC-CG-97-02)

USIA's Office of Contracts requested that OIG review the FY 1995 indirect cost rates claimed by the Free Trade Union Institute (FTUI). FTUI is a core grantee of the National Endowment for Democracy. OIG analyzed the allowability and allocability of accounts comprising FTUI's proposals, including specific indirect costs such as fringe benefits and overhead, to determine if the rates should be approved. OIG found that FTUI required a downward adjustment of its claimed FY 1995 overhead rates from 30.76 to 21.21 percent, with a questioned cost rate of 9.55 percent. OIG questioned costs of \$465,646 relating to direct and indirect labor costs in its indirect cost pool, and equipment purchased for administrative purposes included in the indirect cost pool.

**National Democratic Institute
for International Affairs Review
of FY 1995 Claimed Indirect
Cost Rates** (USIA-CC-CG-97-03)

USIA's Office of Contracts requested that OIG review the FY 1995 indirect cost rates claimed by the National Democratic Institute for International Affairs (NDI). NDI is a core grantee of the National Endowment for Democracy. OIG analyzed the allowability and allocability of accounts comprising NDI's proposals, including specific indirect costs such as fringe benefits and overhead, to determine if the rates should be approved. OIG found that NDI required a downward adjustment of its FY 1995 overhead rate, from 21.60 percent to 21.48 percent. OIG questioned \$16,360 relating to renovations and leasehold improvements in the indirect cost pool.

Non-Federal Audits of Nonprofit Institutions

OMB Circular No. A-133, Audits of Institutions of Higher Education and Other Nonprofit Organizations, establishes audit requirements for colleges, universities, and nonprofit organizations receiving Federal awards. Nonfederal auditors employed by public accounting firms conduct the audits. OIG reviews all audit reports involving USIA funds and is responsible for approving those audit reports on organizations over which USIA has cognizance.

During this 6-month reporting period, OIG conducted analytical reviews on 10 audits covering \$35.8 million over which USIA has cognizance. This left a total of 135 audit reports still in process at the end of the period as follows:

	Number of Reports	Grant Expenditures (\$ in M)
Beginning Inventory	112	188.7
Reports Received	30	149.0
Analytical Reviews Completed	7	35.8
Ending Inventory	135	301.9

OIG submitted the seven analytical reviews to USIA's Office of Contracts, recommending that the office resolve questioned costs totaling \$28,558 and ensure correction of grantee internal controls weaknesses and instances of noncompliance.

INSPECTIONS

Burkina Faso (ISP/I-97-17)

Burkina Faso is a small sub-Saharan country with very limited U.S. strategic bilateral interests other than regional stability. However, there are continuing humanitarian concerns about its population's poverty, low literacy rate, and low level of socioeconomic development. Democratization is progressing, as evidenced by recent municipal elections. Economic structural readjustments are being made in accordance with World Bank requirements. Burkina Faso has had a stable government compared to many of its neighbors. As a result, it has played an important regional role as a mediator in Niger and Mali Tuareg disputes.

Key Issues Identified

- USIS Burkina Faso has been the principal mission agency for democracy and human rights programming. Through an international visitor program and young African leaders program, the post has identified persons who can be instrumental in helping the embassy meet mission program plan objectives. The post has been particularly effective in identifying human rights advocates, nongovernmental organization leaders, women's groups, and media and judicial sector figures.
- The American Language Center meets Burkinabe English-teaching needs and is self-supporting. Privatization or franchising would free the center from U.S. financial requirements, as well as relieve USIS of some operational workload.
- Overall administrative and financial management is good, but some areas need tightening, including personnel adjustments.

Cameroon (ISP/I-97-16)

Cameroon is a country where U.S. strategic interests are limited. It is a unique African nation due to its particular German colonial and British and French post-colonial experiences. Its bifurcation into minority English and majority French-speaking populations, totaling 13.5 million people, complicates an already difficult multiracial and, more recently, multiparty unitary state. The post enjoys good access to officials, and the public profile of the United States is high. Democratization and economic restructuring are necessary, both for regional stability and to create an environment conducive to economic development and expanded U.S. trade and investment.

Key Issues Identified

- Although France is more influential in cultural and educational affairs, exchanges between the United States and Cameroon can play an important role in promoting greater political and economic development in a country that is potentially rich, but remains information poor. The closing of the USIS branch post in Douala in 1990 resulted in a diminution of contact with important members of the French-language press. More recently, the general economic downturn has led to reduced local support for the placement of Fulbright professors.

- The public affairs officer (PAO) works closely with the ambassador and other country team members, all of whom consider USIS operations to be more important than ever since the withdrawal of USAID. The PAO assumed charge of this post after both a downsizing of its American staff (from four in 1994 to two in 1996), and collocation with the embassy in the considerably larger, former USAID premises. Adjustments in both the number and taskings of the national staff, in response to these changes and the diminished Washington resources now available for programming, have yet to be completed.

- Whereas the USIS country plan covers the basic bilateral themes, it does not take into account the full breadth of U.S. Government programs either used or available to meet mission objectives. The embassy MPP for 1996 does not take into account many of the USIS projects designed to meet mission objectives.

- USIS has been paying among the highest Foreign Affairs Administrative Support (FAAS) charges in Africa according to USIA data. With the conversion to ICASS in FY 1998, costs are expected to increase substantially, requiring more management oversight.

Chad (ISP/I-97-11)

A large but thinly populated Sahelian country, Chad is among the world's poorest, lacking a national infrastructure and low on social cohesion. The country has undergone nearly constant civil strife since gaining independence in 1960. These struggles led to the intervention of Libyan troops in 1981, who were not finally expelled until 6 years later. Chad's lack of colonial development, its troubled postindependence history, scarce resources and a minuscule cadre of trained managers have contributed to the fragility of governmental institutions.

USIS Chad, which is among the Agency's smallest posts, deploys its meager resources to encourage those elements in Chadian society who seek or can facilitate governmental protection of human rights, establishment of the rule of law, and an end to ethnic and regional strife.

Key Issues Identified

- In this remote and difficult environment, the traditional USIS program, which the PAO and his staff operate with skill, is effective in engaging influential audiences on issues central to U.S. interests in Chad. A valued member of the country team, the PAO works closely with other elements of the mission in drafting the MPP and in reporting and discussing significant developments in the media, the university, and other institutions.

- Convinced that study of a country's language opens a window to understanding that country's culture and spirit, USIS established an English Teaching Program (ETP) in 1995. In its first year of operation, the program's recycled funds totaled over \$10,500. Initially, the ETP was a pilot program, housed in leased quarters. Now it has grown to accommodate about 140 students, with 8 teachers, and it has moved to a small building on the General Services Office compound. The ETP has covered expenses and produced a surplus for FY 1996, and USIS Chad's planning is directed toward maintaining the program's self-sufficiency.

- USIS has wide and productive contacts among media officials and journalists. The press uses a great deal of the material provided from the Washington File and other USIA sources, sometimes basing editorials on USIS materials. Chad Television broadcasts each of the USIS Worldnets, and radio regularly uses Voice of America stories in Arabic. The Chadian media are a fertile field, and USIS cultivates it well.

Mozambique (ISP/I-97-09)

Immediately following independence in 1975, U.S.-Mozambique relations were hampered by the ruling Front for the Liberation of Mozambique's (FRELIMO) embrace of Marxism and the Soviet Bloc. Many of these attitudes still endure in FRELIMO circles today. The case of Mozambique shows how a peace process can succeed, even though the timetable and demobilization did slip somewhat. The United States has continued to advance an agenda of democratic reform and economic liberalization, privatization, and tackling corruption at high levels.

Key Issues Identified

- USIS Mozambique's country plan fully supports the goals of the Mission Program Plan, with programs that are well-planned, specific, and targeted to the proper audiences.
 - USIS Mozambique's program relations with mission components are productive and mutually beneficial. Cooperation between USIS and USAID is exemplary.
 - The International Visitor program, chaired and administered by USIS, operates as a full-mission endeavor and draws high praise from the charge d'affaires.
 - Worldnet and Africa Journal, USIA television programs, are extremely valuable program tools but are plagued with technical difficulties.
-

Niger (ISP/I-97-14)

Niger is a country where there are few U.S. strategic interests beyond the need for democratization, human rights protection, and regional stability. However, there are continuing humanitarian concerns about the population's abject poverty and low socioeconomic development. A military coup d'état in January 1996, and subsequent fraudulent elections in July 1996, caused a setback to the country's movement toward democratization. U.S. and international reaction to the coup resulted in the withdrawal of aid, contributing to a slowdown in the economic restructuring demanded by the International Monetary Fund and the World Bank.

Key Issues Identified

- USIS Niger has been an effective mission advocate of democratization and has contributed to the formation of a cadre of individuals and nongovernmental organizations who promote human rights protection and participate actively to influence societal change and political decisionmaking.
 - USIS telecommunications capabilities need to be improved to provide access to the embassy e-mail network and access to the Internet for
-

library information. The post also should explore access through the USAID telecommunications system.

- Radio broadcasting reaches an estimated 87 percent of the population and is an important USIS media tool. Radio Anfani, a popular FM station in Niamey and two other cities, is a Voice of America affiliate, transmitting both French and Hausa programs. Radio Anfani currently broadcasts three hours of Voice of America programming daily and is interested in obtaining an additional half hour of Hausa news to fill a prime-time slot.

Nigeria (ISP/I-97-19)

USIS Nigeria is managing to be effective in a very difficult setting. Persuading Nigerian officials that the Government of Nigeria should support U.S. foreign policy objectives is an uphill battle. USIS Lagos concentrates considerable attention upon pro-democracy activists, academics, and television and radio broadcasters. Among these audiences USIS is actively engaged, highly regarded, and unusually effective.

The country public affairs officer is fully involved in the process of conceptualizing and drafting the mission program plan, and the USIS country plan meshes closely with the mission program plan. Nigerian movement toward democracy remains a major objective in both plans, together with political security (continued Nigerian participation in peacekeeping efforts), narcotics controls, and economic reform. USIS contributes primarily through affiliated Nigerian institutions working together with USIS in program entitled the "Nigerian Democracy Initiative," and by a combination of information and exchange programs.

Key Issues Identified

- USIS Nigeria operates a large and unusually well-focused exchange program whose participants are scheduled with great care and attention to both their qualifications and the probable impact of their exchange experience upon themselves, their colleagues, and the Nigerian public. However, in recent years a few participants in the Humphrey Fellows exchange program have failed to return or have overstayed their authorized visits by long periods. USIA needs to find new ways to encourage the timely return of Humphrey grantees, such as making overstay cause for having to return grant money.

- The country public affairs officer's leadership has built a higher than average level of staff morale and impressive professional proficiency. However, the inspection found weaknesses in some administrative operations, including weak controls over nonexpendable property, cash verifications and cash counts not being properly recorded, and inadequate controls over cashier operations at the Kaduna branch operation. Recommendations were made to correct these weaknesses.

Angola (ISP/I-97-08)

Despite the many hardships of living and working in Luanda, the public affairs officer has successfully reestablished the USIS operation in Angola. The PAO is a key member of the country team who works closely with and receives full support from the Ambassador and section heads.

The USIS country plan dovetails with the mission program plan. The country plan recognizes that a free and impartial media is of paramount importance to mission efforts to promote the peace process. USIS activities are well planned and specifically targeted and concentrate on seminars for journalists on conflict resolution and the role of a free press in a democracy.

Key Issue Identified

- USIA headquarters officials need to be more responsive to the post's repeated requests for English teaching support, which has policy ramifications beyond teaching. The mission objectives of promoting human rights issues, for example, could be boosted immeasurably if Angola's English teaching capability were upgraded.

INVESTIGATIONS

Reimbursement

In April 1996, OIG received information that a USIA employee obtained approximately \$500 in U.S. Government funds for payment to another individual. When asked to produce the funds, the employee stated they had been placed in an unsecured location and that they were missing. The employee later admitted responsibility for the missing funds and agreed to reimburse the government for the loss. (96-132)

APPENDIX 1: INVESTIGATIVE ACTIVITIES

Workload

Cases pending 9/30/96	29
New cases opened	7
Cases closed	9
Cases pending 3/31/97	27

Total Administrative Actions 3

Administrative referrals	1
Reimbursements	2

Total Judicial Actions 3

Criminal

Prosecutive referrals	1
Prosecutive declinations	1
Acquittals	0
Indictments	0
Convictions	0
Sentencings	0
Probation	0

Civil

Referrals	0
Declinations	0
Complaints	1
Judgments	0

Administrative Recoveries \$547

APPENDIX 2: REPORTS ISSUED

Office of Audits

USIA-97-CG-001	The National Endowment for Democracy	3/97
USIA-97-CG-002	Commission for Educational and Cultural Exchange Between the United States and the Arab Republic of Egypt	3/97
USIA-CC-CG-97-01	International Republican Institute Review of FY 1995 Claimed Indirect Cost Rates	3/97
USIA-CC-CG-97-02	Free Trade Union Institute Review of FY 1995 Claimed Indirect Cost Rates	3/97
USIA-CC-CG-97-03	National Democratic Institute for International Affairs Review of FY 1995 Claimed Indirect Cost Rates	3/97

Office of Inspections

ISP/I-97-08	USIS Angola	3/97
ISP/I-97-09	USIS Mozambique	3/97
ISP/I-97-11	USIS Chad	3/97
ISP/I-97-14	USIS Niger	3/97
ISP/I-97-16	USIS Cameroon	3/97
ISP/I-97-17	USIS Burkina Faso	3/97
ISP/I-97-19	USIS Nigeria	3/97

APPENDIX 3: SAVINGS & MORE EFFECTIVE USE OF RESOURCES

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

	Number of Reports	Dollars (in thousands)	
		Questioned Costs	Unsupported Costs*
A. For which no management decision has been made by the commencement of the reporting period	13	3,868	2,470
B. Which were issued during current reporting period	3	527	0
Total	16	4,395	2,470
C. For which a management decision was made during the reporting period	1	159	15
— based on formal admin or judicial appeal			
(i) dollar value of disallowed costs	1	93	11
(ii) dollar value of costs not disallowed	1	66	4
D. For which no management decision has been made by the end of the reporting period	15	4,236	2,455
Reports for which no management decision was made within 6 months of issuance	12	3,709	2,455

* Unsupported Costs are included in the Total Costs.

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	1	10
Total	1	10
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of this reporting period	1	10
Reports for which no management decision was made within 6 months of issuance	0	0

APPENDIX 4: RESOLUTION OF REPORTS & RECOMMENDATIONS

Previously Reported Significant Audit Recommendations Pending Final Action

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
93-A-34/ ARR-95-08		<i>Grants Management Followup</i>	3/31/95
	2.	Ensure that the automated grant tracking log contains all data needed to track the status of grant proposals.	
	5.	Assess the status of the grant system to identify the specific tasks and resources needed to develop and implement the system. In addition, establish a realistic implementation plan, including funding commitments. Establish monthly reporting requirements on the project's status.	
	6.	Ensure that data in the grants system is reconciled with data in other grant-related systems.	
	7.	Document life-cycle management policies for the grants system and other related information systems.	
ALR-95-07		<i>Management and Control of Financial Management Software</i>	3/31/95
	2.	Prior to the installation of USAID-developed financial software, standardize cuff accounting software and approve and coordinate all future cuff accounting purchases.	
ARR-96-07		<i>Exchange Visitor Information System</i>	3/31/96
	3.	Determine the feasibility of electronically transmitting J Visa data from sponsor organizations to the EVIS database at USIA.	

SUMMARY OF AUDIT REPORTS

Without Management Decision for More than Six Months

American Council of Learned Societies (A-90-29), issued September 1990

Summary: OIG identified questioned costs, accounting system deficiencies, and excess draw downs of grant funds. USIA's Office of Contracts resolved the accounting system recommendations and the excess drawdowns of grant funds.

Reason Unresolved: The Office of Contracts deferred action on \$44,957 pending further review by OIG, which was completed on March 31, 1995.

To be resolved by: September 1997

International Development Exchange (A-92-24), issued November 1992

Summary: OIG made recommendations on questioned costs of \$59,498 and accounting system deficiencies.

Reason Unresolved: The Office of Contracts deferred a decision on the questioned costs pending completion of OIG's investigation, which was referred to the Justice Department on July 15, 1994.

To be resolved by: Unknown; case in litigation.

Delphi International Group (A-92-23), issued December 1992

Summary: OIG questioned grant costs totalling \$253,772, including about \$150,600 improperly used to support Delphi's private affiliates in violation of its grant agreement with USIA.

Reason Unresolved: USIA's Office of Contracts deferred action on this matter until there is a final resolution of OIG's investigation.

To be resolved by: Unknown; case in litigation.

North/South Center (ARR-94-03), issued March 1994

Summary: OIG recommended that USIA seek reimbursement of \$1,507,261 in questioned costs, approximately \$1 million of which resulted from an inequitable allocation of indirect costs to the Center. The Department of Health and Human Services, which has audit cognizance, established new indirect cost rates.

Reason Unresolved: USIA's Office of Contracts deferred action on about \$480,000 in remaining questioned costs pending further consultation with the Bureau of Educational and Cultural Affairs and is awaiting additional information from the bureau.

To be resolved by: September 1997

Delphi International Group (ALR-94-03), issued March 1994

Summary: OIG questioned grant costs totaling \$202,188, including sabbatical leave for Delphi's chairman and \$73,012 in excessive grant fund drawdowns.

Reason Unresolved: USIA's Office of Contracts deferred action on this matter because of OIG's investigation. The matter was referred to the U.S. Department of Justice on September 18, 1994.

To be resolved by: Unknown; case in litigation.

American Field Service Intercultural Programs (ARR-94-05), issued March 1994

Summary: OIG questioned \$236,600, of which \$177,000 was for unsupported administrative costs. OIG recommended that the Service establish an appropriate indirect cost rate for all future grants.

Reason Unresolved: USIA's Office of Contracts deferred a decision on the \$59,600 pending further information.

To be resolved by: September 1997

American-Mideast Educational and Training Services (ARR-95-02), issued December 1994

Summary: OIG questioned \$72,394, of which \$27,331 was unsupported.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from grantee.

To be resolved by: September 1997

Greater Buffalo Athletic Corporation (ARR-95-03), issued March 1995

Summary: OIG questioned \$2,306,884 in administrative costs.

Reason Unresolved: USIA's Office of Contracts deferred a decision on the questioned costs until OIG reviewed the corporation's response. OIG provided its review on the corporation's response.

To be resolved by: September 1997

Free Trade Union Institute (ARR-96-04B), issued March 1995

Summary: OIG questioned \$33,672. The Institute expensed the total cost of equipment purchased for administrative purposes and included it in the indirect cost pool.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from grantee.

To be resolved by: September 1997

National Association for Foreign Student Affairs (ARR-95-16), issued September 1995

Summary: OIG questioned \$48,515, of which \$11,233 was for program income not credited to the cooperative agreements, lodging costs that exceeded Federal Travel Regulation limits, and unallowable travel and entertainment costs.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from grantee.

To be resolved by: September 1997

American Library Association (ARR-96-02), issued March 1996

Summary: OIG questioned unallocable Library Fellow fringe-benefit costs, unapproved foreign travel costs, and equipment purchases not in accordance with applicable laws, regulations, and grant terms and conditions. Based on the above, OIG questioned \$100,407 including \$27,894 classified as unsupported.

Reason Unresolved: OIG audited selected costs claimed by the American Library Association under cooperative agreements from January 1, 1992, to August 31, 1995. OIG questioned \$100,487 as unallowable or unsupported. For example, the Library Association claimed scholar fringe benefits of \$62,000 that were not allocable to the agreements. OIG recommended that the USIA contracting officer seek reimbursement for the unallowable costs and additional documentation for the unsupported costs.

To be resolved by: September 1997

International Institute of Wisconsin (CG-96-01), issued September 1996

Summary: OIG questioned \$46,726 as unallowable or unsupported by the Institute. These costs included airfares for individuals who did not participate in the program excess working meals, and an unreasonable amount of tickets for sporting events. Also questioned were salary and benefits that were based on budget percentages instead of actual hours worked.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from grantee.

To be resolved by: September 1997

International Broadcasting

Activities	63
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Appendix 2: Reports Issued This Period	64

OIG ACTIVITIES

Significant Findings

Findings in three inspections of USIS operations were apropos, also, to international broadcasting.

In **Chad**, USIS has wide and productive contacts among media officials and journalists. The press uses a great deal of the material provided from the Washington File and other USIA sources, sometimes basing editorials on USIS materials. Chad Television broadcasts each of the USIS Worldnets, and radio regularly uses Voice of America stories in Arabic.

In **Mozambique**, Worldnet and Africa Journal, USIA television programs, are extremely valuable program tools but are plagued with technical difficulties, such as reception, equipment, and translation problems.

In **Niger**, radio broadcasting reaches an estimated 87 percent of the population and is an important USIS media tool. Radio Anfani, a popular FM station in Niamey and two other cities, is a Voice of America affiliate, transmitting both French and Hausa programs. Radio Anfani currently broadcasts three hours of Voice of America programming daily and is interested in obtaining an additional half hour of Hausa news to fill a prime-time slot.

OIG Prague Office Will Close

The Office of Inspector General has determined that its on-site presence in Prague, Czech Republic, is no longer necessary and will close no later than the end of this fiscal year. Since the merger of the OIG of the United States Information Agency with the OIG of the Department of State and the U.S. Arms Control and Disarmament Agency, the office has gained a better perspective on how best to provide oversight of international broadcasting, including Radio Free Europe/Radio Liberty (RFE/RL) activities. The OIG presence in Prague was originally established to provide a continuing oversight of RFE/RL operations in Prague. OIG has now established a division in its Office of Audits that is focusing exclusively on international broadcasting issues, including those involving RFE/RL. This newly

established division, supplemented by staff from other audit divisions and OIG offices, will provide a more comprehensive and integrated oversight of broadcasting operations by drawing upon a variety of disciplines within OIG.

Office of Cuba Broadcasting

OIG completed an investigation in January 1997 that was initiated by the former USIA OIG concerning allegations of management reprisals against OCB employees. Five current or former staff members alleged 12 instances of reprisal. OIG found that there was insufficient credible evidence to sustain findings of management reprisal for any of the allegations. The report outlines in detail OIG's findings and analysis under the Whistleblower Protection Act. While not finding support for the allegations of reprisal, OIG found a pattern of personnel management deficiencies during the period 1992 through 1994. (96-150)

APPENDIX 1: INVESTIGATIVE ACTIVITIES

Workload

Cases pending 9/30/96	0
New cases opened	0
Cases closed	0
Cases pending 3/31/97	0

Judicial Actions	0
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Administrative Actions	0
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APPENDIX 2: REPORTS ISSUED

None

U.S. Arms Control and Disarmament Agency

Activities	67
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OIG ACTIVITIES

Records Management in the Arms Control and Disarmament Agency (ACDA-7-IM-001)

The U.S. Arms Control and Disarmament Agency has been attempting to improve its records management operations but is still not fully in compliance with Federal requirements. ACDA guidance on records management was out of date and did not clearly address records unique to specific new offices. In addition, ACDA officials responsible for records management activities in bureaus and offices have not received adequate training to prevent record losses. Because records management guidance was outdated and training was not readily available, officials responsible for records activities were confused about how to manage and maintain official records. OIG recommended that the Bureau of Intelligence, Verification, and Information Management issue updated records management guidance and distribute the guidance to records management coordinators and employees, including delegation leaders and conference support staff responsible for managing and maintaining records. In addition, the Bureau of Intelligence, Verification, and Information Management should work with the Department of State's Bureau of Administration to determine the extent to which the Foreign Affairs Manual and the Foreign Affairs Handbook could be used for ACDA's records management guidance. OIG also recommended that ACDA's Information Management and Computer Operations Division coordinate with the Department's Foreign Service Institute to provide records management training to records management coordinators and other employees with records management responsibilities.

GAO Decision Concerning Per Diem

An investigation resulting from an OIG audit recommended that ACDA seek reimbursement from a husband and wife for certain per diem payments. Each spouse had received full per diem while residing in a home they had purchased at their overseas temporary duty location. ACDA and the OIG submitted this matter to the General Accounting Office (GAO) for an advisory decision. On October 2, 1996, GAO issued a decision which held that the husband, whose official duty station was Washington D.C., was not entitled to the lodging portion of his per diem where he did not incur any lodging costs in excess of the usual expenses of maintaining his overseas residence during his temporary duty. With respect to his wife, the decision held that, as a contract employee, working on an as-needed basis, for purposes of the Federal Travel Regulations, her residence at the time she received an assignment was the equivalent of her official duty station. Therefore, when she performed an assignment in the place where she was currently residing overseas, she was not entitled to per diem, nor to any transportation at government expense to her other home in the United States at the completion of the assignment. The OIG has recommended again that ACDA seek reimbursement from this couple for any per diem to which they were not entitled. (91-051)

Misuse of Government Property

Based on information received from the ACDA Security Office, OIG conducted an investigation of two employees who were suspended for conducting personal business on U.S. Government time and producing commercial work products on government computers and printers. An analysis of documents and computer-generated products disclosed numerous examples of brochures, advertisements, and other desktop publishing materials. The employees were interviewed and admitted to using ACDA computers and associated equipment to perform desktop publishing tasks for a private business venture and to performing the work during regular business hours. A report of investigation was forwarded to ACDA for appropriate administrative action. ACDA initially notified OIG of its proposal to terminate both individuals. Final disposition resulted in the employees being demoted and transferred within the agency. (96-046)

Funding for ACDA Oversight

OIG is working with the House and Senate Appropriations Committees to obtain additional funding to meet its oversight responsibilities for ACDA. In the past, OIG has had to seek reimbursement from ACDA for all oversight activities, because no base transfer of ACDA funds was made to cover these expenses when OIG was given responsibility for ACDA oversight. Because this arrangement resulted in planned OIG work being delayed due to ACDA's inability to pay, OIG initiated an effort to obtain additional permanent funding for ACDA oversight. OIG received \$143,000 for FY 1997 to cover partial funding for oversight of ACDA, and language was included in last year's appropriations conference report stating that OIG's FY 1998 budget submission should include all funds for the oversight of ACDA. However, no additional funding was approved for FY 1998. Until such time that the additional \$107,000 is included in our base funding, OIG will continue to seek reimbursement from ACDA. However, this is not an acceptable long-term solution. OIG is requesting that the Appropriations Committees once again note the need for \$107,000 in additional funding.

APPENDIX 1: INVESTIGATIVE ACTIVITIES

Workload	
Cases pending 9/30/96	1
New cases opened	1
Cases closed	1
Cases pending 3/31/97	1
Judicial Actions	0
Administrative Actions	
Demotions	2

APPENDIX 2: REPORTS ISSUED

Office of Audits

ACDA-7-IM-001	Records Management in ACDA	12/96
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APPENDIX 3: RESOLUTION OF REPORTS AND RECOMMENDATIONS

Audit Recommendations in Reports More Than 6 Months Old for Which a Management Decision is Still Pending

None

APPENDIX 4: RESOLUTION OF REPORTS & RECOMMENDATIONS

Table I
Inspector General Issued Audit Reports
With Questioned Costs

A. For which no management decision has been made by the commencement of the reporting period	0	0	0
B. Which were issued during the reporting period	0	0	0
C. For which a management decision was made during the reporting period	0	0	0
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0
Reports for which no management decision was made within 6 months of issuance	0	0	0

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE¹

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
Subtotals (A. + B.)	0	0
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
— based on proposed management action	0	0
— based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of this reporting period	0	0
Reports for which no management decision was made within 6 months of issuance	0	0

Locations of OIG Activities

During this reporting period, the Office of Inspector General conducted operations at 95 foreign and 29 domestic locations, as listed below.

Albania, Tirana
Angola, Luanda
Argentina, Buenos Aires
Austria, Vienna
Barbados, Bridgetown
Bolivia, La Paz
Brazil, Brasilia
 Manaus
Bulgaria, Sofia
Burkina Faso, Ouagadougou
Cameroon, Yaounde
Cambodia, Phnom Penh
Chile, Santiago
Chad, N'Djamena
China, Beijing
Colombia, Bogota
Cote d'Ivoire, Abidjan
Croatia, Zagreb
Czech Republic, Prague
Denmark, Copenhagen
Dominican Republic, Santo Domingo
Ecuador, Quito
Egypt, Cairo
El Salvador, San Salvador
Finland, Helsinki
France, Paris
 Marseille
 Nice
The Gambia, Banjul
Germany, Bonn
 Frankfurt
 Munich
Greece, Athens
Guyana, Georgetown
Hong Kong
India, New Delhi
 Mumbai
 Calcutta
 Madras

Israel, Tel Aviv
Israel, Haifa
Italy, Rome
 Genoa
 Milan
 Trieste
Japan, Tokyo
Jordan, Amman
Kazakstan, Almaty
Kenya, Nairobi
Korea, Seoul
Kuwait, Kuwait City
Kyrgyzstan, Bishkek
Lebanon, Beirut
Madagascar, Antananarivo
Malaysia, Singapore
Mexico, Mexico City
 Cabo San Lucas
 Matamoros
 Monterrey
 San Luis Potosi
 Touana
Mozambique, Maputo
Nepal, Kathmandu
Niger, Niamey
Nigeria, Lagos
Norway, Oslo
Oman, Muscat
Pakistan, Karachi
Peru, Lima
 Cuzco
Philippines, Manila
Poland, Warsaw
 Poznan
Portugal, Lisbon
Qatar, Doha
Romania, Bucharest
Russia, Moscow
 St. Petersburg
 Vladivostok
Saudi Arabia, Riyadh
 Dhahran
 Jeddah

Spain, Madrid
 Seville
Suriname, Paramaribo
Sweden, Stockholm
Switzerland, Bern
 Geneva
Tanzania, Dar Es Salaam
Thailand, Bangkok
Trinidad and Tobago, Port of Spain
Turkey, Istanbul
United States, Washington, D.C.
 Bakersfield, California
 Boston, Massachusetts
 Brownsville, Texas
 Cherry Hill, New Jersey
 Charleston, South Carolina
 Chicago, Illinois
 Concord, New Hampshire
 Detroit, Michigan
 East Brunswick, New Jersey
 Ft. Lauderdale, Florida
 Los Angeles, California
 Madison, Wisconsin
 Miami, Florida
 New York, New York
 Newark, New Jersey
 Phoenix, Arizona
 Pt. Hueneme, California
 Portsmouth, New Hampshire
 Sacramento, California
 San Diego, California
 San Francisco, California
 St. Louis, Missouri
 Seattle, Washington
 Tampa, Florida
 Tucson, Arizona
 Tulsa, Oklahoma
 Valencia, California
 Walnut Creek, California
Venezuela, Caracas
Yemen, Sanaa

LIST OF ABBREVIATIONS

A/IM	Office of Information Management, Bureau of Administration
A/FBO	Office of Foreign Buildings Operations, A
ACDA	U.S. Arms Control and Disarmament Agency
BBG	Broadcasting Board of Governors
CA/PPT	Office of Passport Services, Bureau of Consular Affairs
DCM	Deputy chief of mission
DS	Bureau of Diplomatic Security
ETP	English Teaching Program
FAAS	Foreign Affairs Administrative Support
FBI	Federal Bureau of Investigation
FRELIMO	Front for the Liberation of Mozambique
FSN	Foreign Service national
FTUI	Free Trade Union Institute
GAO	General Accounting Office
ICASS	International Cooperative Administrative Support Services
INL	Bureau of International Narcotics and Law Enforcement Affairs
IRI	International Republican Institute
IV	Immigrant visa
MPP	Mission program plan
NDI	National Democratic Institute for International Affairs
NEA	Bureau of Near Eastern Affairs (formerly, Bureau of Near Eastern and South Asian Affairs)
OCB	Office of Cuba Broadcasting
OES	Bureau of Oceans and International Environmental and Scientific Affairs
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAO	Public affairs officer
PDD	Presidential Decision Directive
REDSO	Regional Economic Development Services Organization, USAID
RFE/RL	Radio Free Europe/Radio Liberty
S/MEC	Special Middle East Coordinator, Office of the Secretary
SA	Bureau of South Asian Affairs
SIO	Office of Security and Intelligence Oversight, OIG
SMA	Separate Maintenance Allowance
TDY	Temporary duty
USAID	U.S. Agency for International Development
USIA	United States Information Agency
USIS	United States Information Service
WPAS	Worldwide Property Accountability System, A/IM

Index of Reporting Requirements

Inspector General Act of 1978, as amended

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Section 4(a)(2)	Review of legislation and regulations		5	5	5
Section 5(a)(1)	Significant problems, abuses, and deficiencies		9-28	47-54	67
Section 5(a)(2)	Significant recommendations for corrective action		9-28	47-54	67
Section 5(a)(3)	Prior significant recommendations unimplemented		40-41	58	None
Section 5(a)(4)	Matters referred to prosecutive authorities		29-34	54	68
Section 5(a)(5)	Information or assistance refused		None	None	None
Section 5(a)(6)	List of reports issued		36-37	56	69
Section 5(a)(7)	Summaries of significant reports		9-28	47-54	67
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Section 5(a)(11)	Significant revised management decisions		None	None	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed		None	None	None